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Miscellanies
Vol. 4

POLITICAL ECONOMY;

OR,

THE SCIENCE OF THE MARKET,

ESPECIALLY AS AFFECTED BY LOCAL LAW.

BY

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LONDON:
KEGAN PAUL, TRENCH, TRÜBNER & CO., LTD.
1890.

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NOTTINGHAM:
STEVENSON, BAILEY, AND SMITH, PRINTERS.

PREFACE, 1890.

MANY have been wrongfully claiming of Political Economy discussions that belong to Politics or Jurisprudence.

The Politician or STATESMAN must seek to suppress Immoralities, Oppressions, Fraud, Swindling, Degraded Classes, Chronic Pauperism. He can not only modify Law, but repeal Unjust Institutions, and largely root up the seeds of Vice. Our complex industry, our composite kingdom, our laws founded on Conquest (besides our Foreign Empire), require a complexity of legislation to which a single Legislature is unequal. Enormous supervision is needed, and its deficiencies are painfully felt. There are many, who reproach Political Economy for these, and claim redress from it. Even in a case so simple as paying workmen by *Truck* instead of Money Wages, our Science, because it studies generalities, cannot reasonably condemn Truck on principle: yet a Legislator, who looks to details, may sometimes very rightly forbid it. Just so, when *Summum Jus* is *Summa Injuria*, a Jurisconcult tells what the Law *is;* but only a Legislator can mend it. The lawyer is not blameable, when the law is defective.

While I thus aim to limit the field of Economy, as necessary for Science, yet I have been tempted in this Edition (1890, pp. 51—56) to add suggestions for change in our law of Debt. While such digressions can be controlled within general

principles of the Market, no harm is done; but great jealousy is needed against attempts to confound our Science with Politics.

It is the task of Politics to decide what articles can be lawful Property: to forbid demoralizing traffic; to discourage impoverishing imports or exports; to regulate jealously the traffic in things necessary and yet dangerous; to watch against oppression of the weak; against public destitution and degraded classes. None of these tasks fall on the Economist in his studies. He cannot deal even with the topic of Land Rent without excursion into History and Politics.

These Lectures were delivered in 1850-51 to Ladies in the Bedford Square College, London (now in York Place). They soon went out of print, and have often been asked for. They are now (1890) reprinted with unimportant corrections, and with the omission of one Lecture as too Political.

F. W. N.

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LECTURES

ON

POLITICAL ECONOMY.

LECTURE I.

ELEMENTARY NOTIONS OF PROPERTY.

We are accustomed to speak of mankind as living under two different conditions,—the *savage* and the *civilized*; and although the latter phrase is exceedingly vague, it has a real contrast to the former, which we shall do well to examine.

The *savage* state derives all its peculiarities from the isolation of man. In it, each man does everything for himself. He procures his own food, makes his own weapons and his own canoe, builds his own hut, and, if he be an agriculturist, tills his own ground. His clothes, his tents and their furniture are made by him or by the females of his family. Great resource is displayed in all this, and at intervals an extraordinary perseverance in industry. Yet the labor thus bestowed is comparatively unfruitful, so that the savage is poor and exposed to the severest sufferings in occasional famine or violence of the seasons. Nor is this the worst; but, as no man can be exempted from the same routine of labor, little cultivation of mind is possible; the materials and the art of writing are unknown, so that there is no transmission and bequeathing of thought, and no accumulating of knowledge. Man, like the animals, then attains his own small measure of individual perfection, and dies, leaving his child to run the same monotonous race. There is little or no perceptible *progress* in successive generations, while the state of individual self-sufficiency continues.

Men begin to cease to be savages, and take the first step towards *civilization*, when they devote themselves to different special occupations, so as to be in a social sense necessary to one another. The members of a savage tribe do indeed need mutual aid for defence against enemies, just as do gregarious animals against wild beasts; and the only political duties and virtues of

the savage turn on warlike necessities. Were it not for these, each family might live apart in the wilderness, as in fact they sometimes do. But when *Division of Labor* arises, no family can live alone, and the village-life becomes essential. The moral and intellectual effects of this are not inconsiderable, but my immediate business is with the economical ones. You must all be aware how much more profitable labor becomes, when it is duly organized. If ten Englishmen were wrecked on an empty land, they would presently adopt some distribution of duties:—some would fish, and some would hunt, some would prepare shelter, and one would cook: but, for each to attempt everything, they would see to be ruinous to all. A small number of persons thus thrown together,—all being known to all,—each being an object of personal interest to the rest,—may live together as a *single family*. Any one who was idle would be observed, rebuked, stigmatized, and, if necessary, excluded from the general advatages. No buying or selling would be needed, all might live on common property; and during the pressure of severe danger, while every life was valuable, perhaps no jealousies or private interests would disturb the general harmony.

But the continuance of such a state is simply impossible, nor can it be shown ever to have existed historically except for a little while in certain religious unions. Even there it is broken up by marriage. Wife and children are not only *dearer* to each man than are his associates and equals; they are more peculiarly his to care for. Hence the man who is more industrious, more skilful or stronger than others, desires to devote his supernumerary efforts rather to the especial comforts of these so dear to him, than of the whole community. *This* in fact is *his duty as well as his tendency*. And when numbers multiply, so that he cannot familiarly know more than a small part of them, the distinction is of necessity made (which indeed exists from the first) between the Family and the World. Within the Family there is no buying nor selling, but all that is needed by any member is freely received: so much the more, in order to be able to exercise such love within, liberality must be restricted without. Within the Family *mine* and *thine* is not said, but all is *ours*. But beyond the Family each has rights against the other; what is mine is not thine, and what is thine is not mine. Towards the Family, then, *Love* is the only rule; but towards the World *Justice* takes precedence of Love. Within the Family there is Inequality,—Rule and Obedience; in the World, men meet Equals and Rivals. Private Property is indeed often given away

in nascent communities to those beyond the Family with wonderful generosity, especially food; for hospitality is a chief virtue among such: still, it is felt as a *gift:* and from the day that the raisers of food become a special class in the society, it becomes ordinarily necessary to purchase the food by offering in exchange for it some useful commodity. This we call Barter, which is the commencement of economic co-operation.

All voluntary exchange being beneficial to both parties, the primitive barter gives no room for quarrel or question. But when two persons desire to buy the same thing, a new element enters. An ingenious man has built an elegant canoe, and two others at once propose to buy it. One offers him a full dress of splendid feathers, and a bow and arrows; the other offers him a set of hides well-cured, and several mats. He takes which he pleases. If no one else can make canoes, the maker of it has a *Monopoly*, or sole power of selling; and, if the others can offer things serviceable to him, he is virtually selling it by *Auction* to whichever will please him best. This cannot be blamed morally. For there is no natural reason why he should sell to *one* more than to the *other*, or why he should give it in exchange for *two* mats rather than *ten* mats. If one of the bidders is willing to give ten, what can justify a bystander in saying that ten is too much?

In result, however, his monopoly cannot last long. If there be a general desire for canoes, which make many persons willing to give liberally for them, others will be induced to employ themselves in canoe-making; and ere long will be able to offer to purchasers canoes nearly or quite as good. It is then no longer an Auction; for while on the one side there are persons who bid against one another for canoes, on the other also are canoe-makers bidding against one another for purchasers. And this is called *Competition*, and every scene of competition is called a *Market*. All Private Property presupposes a Right of Exchange and a Right of Competition.

In passing I may answer the question,—How does a buyer differ from a seller? He who gives mats for a canoe, buys a canoe and sells mats. Why then should he be called buyer more than seller, or seller more than buyer? The reply depends not on the exchange, but *on the previous state of mind.* He who comes into the market saying, "I want: have you?" is a buyer: but he who comes saying, "Do you want? I have;" is a seller. Both characters *may* be joined in one man, but are not necessarily. He who has a *perishable* article, is eager to part with it, even if he just then wants nothing in particular. He desires to exchange

it for anything *more durable:* he then is a seller. He who wants immediately and urgently some one article, and has one or more durable things to offer for it,—he is a buyer.

Here we meet for the first time the beautiful providential arrangement which binds human life together. Nothing is more urgently needed than *food:* hence he who comes into the market to purchase food would be unduly put into the power of the food-raisers, only that food is a very *perishable* commodity. Hence those who possess it are practically as eager to sell, as those who are hungry to buy. Butchers, bakers, farmers, graziers, though seemingly able to starve the community, are not on that account socially powerful, or able to take advantage of other people's want. Small and highly peopled countries, which import a large fraction of their food, as Holland, Malta, and the Channel Islands, for long periods of time are found to enjoy as cheap a market as those who raise food for themselves, and one decidedly steadier.

It will now appear that the first fundamental phenomenon economically distinguishing more civilized from savage life, is *the periodical or perpetual existence of a market.* Without the market there could be no generally established division of labor, and in fact there must generally be speedy starvation to a part: without the market, men must relapse into isolated and unprofitable labor, unless Families could be made of sufficient magnitude to embrace all economical advantages, and willing to renounce all traffic beyond the limits of the Family. The last point, however, is an unimaginable absurdity. Even great nations are glad to make exchanges of produce and manufactures, and find a vast economy in it. Though we have iron, timber, hemp and hides at home, we receive such things from Norway, Sweden and Russia. Between us and Germany the exchange of manufactures has been peculiarly complicated, each nation seeming to give what it also receives. If even great countries could not renounce traffic without vast loss, it is obviously absurd to imagine that Families, consisting (say) of 1000 persons each, could, without wilful and wanton waste, use all their produce on themselves and receive nothing from without. There must always be a buying and selling of at least Family with Family; and such buying and selling must go on in the public market of the world, and essentially implies Competition, without which there can be no such thing as *Price.*

I call your most special attention to this point. *No Market without Competition.* To condemn Competition is to condemn

Buying and Selling. Benevolent persons in every age, on seeing the sad phenomena of misplaced labor, and of consequent poverty, have been apt to murmur against the whole economic structure of society. Miscalculations, smaller or greater, will and must be made. If those who work at a certain trade (say, at *Hats*) make more of their article than the community finds it convenient to buy, a part remains unsold, or, in order to attract buyers, is sold cheaper than was calculated; thus the Hatmakers are losers. *And nothing but loss can possibly teach them that they are overproducing.* Take the case of new shops. When new rows of dwelling houses are erected, a certain number of new shops are opened on speculation. If they succeed, more are opened; and so on, until they begin to fail. In all trade a partial loss is thus at last inevitable, and *ought to be counted on*, and covered by general profits. Now in the best-ordered system, the market is extremely sensitive. Where there is a public exchange, and all the smaller trafficking blends into one, the decline of half per cent. in prices may warn the manufacturer that production is becoming excessive, and he perhaps instantly checks his proceeding, before any serious loss is incurred. But many causes often induce a contrary result. Ignorance and poverty can neither change nor suspend their trade. Great manufacturers are often forced to go on producing, because they will lose still more by letting their machinery stand idle; and for many reasons a market will from time to time be painfully glutted. Prices fall suddenly; careless men become bankrupt, and cause loss to others, honest workers are left without employ, and are hereby sometimes exposed even to starvation. The evils and hardship of this ought never to be made light of; and let me assure you that I (for one) look with no complacency on the existing state of the mass of English workers. But be it remembered, it is a complicated and immense problem to feed 20 million mouths. In a savage state, Great Britain would perhaps have only half a million. To interfere artificially with the great agencies by which this vast population feeds itself is a most delicate and dangerous affair; in which the purest philanthropy, unless guided by true and positive science, would be ruinous. If any one propose measures for elevating our working class, by all means let us acknowledge that his object is excellent, and the attempt anything but superfluous. But if he accompany his plan *with invective against Competition* as in itself an evil thing, then, whatever his benevolence, I cannot refrain from characterizing his scheme as ignorant and dangerous.

I do not speak at random. Printed papers have been put into my hands, which advocate the establishment of "Christian villages" in which common property is to be the rule. To recommend these, Competition is denounced as an essentially *unchristian* principle; (of course that means a base and evil principle;) and to this statement the names of three English bishops are annexed. The same tone of address prevails in all those who are endeavouring to promote what they call Christian Socialism.

The danger to the uneducated, arising from this Socialistic School, is, that they are incited to rancour against *their own equals* who dare to compete with them, and to accept work from employers on terms which they disapprove. The *only* competition which they see, is, that to which they are themselves exposed; that capitalists also have to stand competition, escapes them. Selfish violence against their rivals is thus held up as a venial, if irregular, punishment of guilt, and such violence has gone to cruel lengths.

To bystanders, on the other hand, this Socialistic scheme is dangerous, because it furnishes idle minds with a ready-made creed, and saves them the effort of thought. In every break up of old beliefs any new system that can start with enthusiasm has a good prospect of adherents. If discontented with Old Physic, we easily become Homœopaths or Hydropaths: not so much because we have proof that either new system is true, but because we find the old one unsatisfactory. The same cause gave currency to Astrology and Egyptian Religion in old Rome, and, in modern times, to Fourierism in France, to Mormonism in America. The Socialists appear to me to be so empty of proof, as scarcely to deserve scientific reply; but their strength lies in the tendency of men to accept any new system which pretends to obviate felt grievances.

Their errors I would classify as moral, political and economical. *Moral:* 1st, in speaking as though my duties were equal towards all mankind; which is untrue. To admit any but a secondary responsibility for those who are unconnected with me in close relations, would be a Quixotism. 2nd, in wonderfully undervaluing *the difficulty of subduing a ruinous selfishness* in a community that lived on common property. *Political:* in imagining that such a community, if men were allowed to choose their own occupations, would not presently break in pieces from their rival preferences; or that if it were subjected to the despotism of a single mind, it could fail to degenerate into apathetic stupidity.

But my particular business is with the *Economic* error, which consists in blindness to the fact, that there can be no such thing as *Price* except through the influence of *Competition;* and that if they mean to allow exchanges between Community and Community, they ought to abandon this declamation against Competition. The device of saying that it is only "*excessive* competition," "*unlimited* competition," has no meaning, until some one defines *what* is excessive, *what* are right limits. If instead of ten starving men one hundred starving men plead for employment, of course the competition is much more severe. We may regret this. Relief of distress is right; but invective against Competition is puerile; is imbecile.

Consider once more the circumstances of Exchange.

If human labor were so uninventive, that the best organized industry were absorbed on mere *necessaries*,—food, clothing and shelter; there would be room for the argument, that, wherever was a superfluity of *these* things, all who needed might be allowed to help themselves freely. This is the state of brute animals, and approximately of savages. But when, through the ingenuity which God has given us, our labor becomes tenfold and twenty-fold in efficiency,—when, in consequence, a large part of a nation must either be idle or produce luxuries, (I mean here, things evidently not necessary,) it is absurd to argue in the same way. For instance, if Velvet is produced, how is it to be exchanged with Potatoes? Is it not egregious nonsense, and almost a desecrating of right sentiment, to say, "the Law of Love shall rule: let *them* take as much velvet as they need; and let *us* have as many potatoes as we need?" The reply is, first, that no one *needs* velvet;—next, that it is *not* the Law of Love to let each help himself; for while supply is limited, one may so do it as to deprive others. To discuss and discover how much a man *needs*, is an infinite question.

The only feasible mode, is that of a Poor Law, which, under certain circumstances, doles out a definite supply to each. And this breaks down of itself, unless the persons thus relieved are a small fraction of the whole. The many must support themselves by free exchange. The truth is really plain, but needs to be enforced, that Competition, though (like all the laws of Nature) often severe, is yet a beneficial, as well as a necessary process. If I desire to get my garden dug, and am about to pay a man 4s. for his day's work, merely because I have been accustomed to pay that sum, but before I have agreed with him, another man offers to do the same work for 3s. 6d., *the presumption is that the*

latter is in greater need, and that (unless I am in some previous moral relation with the former, which ought to be respected) I shall do a more humane act by employing the one at 3s. 6d., than the other at 4s. I do not now treat of the *prudential* question. The cheapest priced work is not always truly the cheapest. I merely say, that *if it be* really the cheaper, and if we be in no nearer moral relation to one than to the other of the parties, my humanity, quite as much as my parsimony, will dictate my receiving the cheaper bargain. No Economist pretends or imagines that we are never to be charitable, but when we go to market, we go for our own convenience and interest, not for charity. Indeed only when we buy for our own consumption can we *afford* to be generous. If, when we have to sell again, we buy from charity, not from close calculation, we are probably on the way to bankruptcy. Many need to be reminded of this.

However,—in theory, might we not lay down that the time occupied in producing an article measures its value? Then if one man can hunt, shoot, and bring back a bag of game in the same time that another can carve a walking-stick, the stick and the bag of game ought to be of equal value in the market.—But it is obvious, that no one can know how long another takes or *ought* to take about his work, *except* by aid of competition. When fowlers bring strings of dead birds to the market, their competition lowers the price so as to put a fine on the unskilful or idle; and again, so as to punish them all, if they kill more birds than are wanted. Surely this is a most wholesome principle. It forces all to sell at or nearly at the price of him who can afford to sell cheapest; which is to the universal benefit of buyers. And as men sell only in order to buy, they reap the benefit of competition in their turn, when they come forward as buyers.

It might seem needless to say (were not Fanaticism so rife), that the desire to buy cheap and sell dear is not the sole motive of human action:—as well suppose Fire to be the only element, or love of property the only passion. If some are avaricious, and live only for gain, this is surely no reason for saying that the desire of Property is an evil thing. We are to be liberal and generous *in due place;* but in order so to be, we must have something to give away; and if we are to husband our resources, we cannot be wholly indifferent to the price which we get for the commodities which we sell. In the market, Justice, and not Charity, regulates our dealings; and it is *primâ facie* just to receive what another is willing to give. Nor can any distinction be made between buying the produce of future labor by a Wage,

and buying articles which are the fruit of past labor; except that in the former case if the service is engaged in order to sell the fruit of their future labor. This is precisely the case in which the labor-buyer takes on himself the most dangerous responsibility. Charity (or Mercy towards the distressed) has her own appointed place—even in the sphere of Politics; but it is not a transaction of the market, nor does it concern Political *Economy*, any more than the mutual liberalities of a family circle.

I have thus far endeavoured to show, that the civilized state is one in which markets are perpetual;—that markets essentially imply Competition, and that Competition has been most erroneously and causelessly vituperated. I proceed to trace in sketch the natural history of Economic progress.

Intelligence first develops itself in Towns, and the industry of the country lags behind, being generally retarded by serfdom and ignorance. I reserve for future lectures the consideration of landed Property; but I may say, that in many countries of the Ancient World, society resolved itself into four main divisions, 1, civilians and literary men, all called *priests;* 2, warriors; 3, merchants and artizans; 4, peasants. This is often regarded as peculiarly Oriental. In Europe, the Druidical system of old times, and the Roman Catholic of the Middle Ages, had no hereditary Priesthood; but the Priests were adopted out of the other classes. Neither from the warriors nor from the peasants could any economic improvements spring, which almost always came from the merchants and artizans, aided by the intelligence of the Priests. In early times these classes show a powerful tendency to the hereditary transmission of their art or occupation, so that *Castes* are easily generated. When skill is improving, each father is disposed to impart his skill to his own sons. Especially when books scarcely exist and all teaching must be by word and hand, every workshop is a school, and every workman is a teacher of apprentices. The natural tendency in every father to transmit his trade to his son, was then sometimes made compulsory, especially in the most populous communities. This I think may be probably attributed to the jealousies of trade-unions. When a father found it hard to get work in his own trade for *all* his sons, he was angry with men of the same trade who taught the craft to *any but* their sons. An outcry from their fellows arose against all who thus glutted the market, as they viewed it; and the trade-union would probably forbid its members to take apprentices except from the families of those already in the trade. This would be meant as "Protection" to them-

selves. But since other trades would imitate the example, the rule was built up on all sides that each man must follow his father's business, since he found himself shut out from all other business. In the end, none were the better. The tailors had wished to keep the tailoring trade for their own children; but in consequence, no tailor could bring up his son as a shoemaker or hatter: which was virtually to enact that each trade *must expand in the very same proportion* as the entire population. If the numbers of the trade increased in a faster ratio than this, they were made miserable; if in a slower, the public got bad or deficient goods. It seems incredible that Castes (as a system of compulsion) were ever originally imagined by a speculative mind: they arose of themselves, out of the clashing forces of society, and were afterwards sanctioned by law and made obligatory by religion. While I think it certain that these restrictions were *economically* hurtful, they nevertheless rose out of unions which were *morally* beneficial, and they contributed to the intimacy of those unions. Intermarriages took place to a great extent between families of the same trade, though it is not probable that that was compulsory: thus they looked on one another as kinsmen. Indeed, among the Greeks and Romans, the primitive population was broken up into *clans*, all the members of which regarded one another as akin, and celebrated their relationship by special religious meetings. But this was a *political*, not a *commercial* development, and was so much the more valuable, because the members were *not* of one trade. In the Middle Ages of Europe, the chartered towns had an organization depending on guilds or commercial companies, which taught their art to apprentices only under special conditions. We have full reason to believe, that skill was on the whole more advanced by this system than by the severer one of Caste.

Every trade-union or Company, while it is moderately well conducted, and contains rich men as well as poor, serves many important purposes. A prominent evil, in that stage which we have attained, is, the isolation of families from all powerful support, when unforeseen and undeserved distress comes on. A union of different trades, as in a Greek or Roman clan, is far better than of one trade; because it often happens that one trade alone is peculiarly exposed to commercial suffering: then the others are able to help it. A union consisting of only the poor members of one trade, has little economical use; as of working weavers, without the capitalists who employ them. But an English guild in old days took in the rich merchants as well as

poor shopkeepers, and not only kept up good feeling between richer and poorer, but rescued the poorest from the danger of perishing unseen and unknown. Still, it could not exist without large internal power over its own members. The rest of the community ill bore the conditions on which alone it allowed apprenticeship; thus the demand for more freedom undermined these communities, and reduced them to comparative insignificance.

The Freedom which we have attained has great Economic advantages, but so many Moral disadvantages as might make one hesitate in choosing it, if any alternative were open to us. What is it that often makes the population of an old country-village pleasant to us? It is, because every man has a character to lose. All have been known to all from youth. There may be a few persons bad beyond cure; yet even towards them long knowledge produces a kindly feeling, which keeps them from the worst extremes. At any rate, no one can fall into evil courses, nor into distress, without its being known and observed; and common men are more virtuous, when strong public opinion watches them. Such is the state of a community which grows entirely *from within*, and rather *slowly*. But a modern town is largely peopled by immigrants, unknown to one another and to the old inhabitants. Just as a country loses patriotism and organic union, when new settlers come in from different quarters so rapidly as to outnumber the natives; so to sustain the true corporate spirit of a modern rapidly-formed town is hardly possible. Men come to it, *not to live there*,—not because they were born there,—not because they love the place,—but, *to get money there;* hence they have seldom the same attachment to the people, whom in fact they do not know. Such considerations belong not to Political Economy, but to Politics; yet they are not the less important: and if Economists discard them as not forming part of their science, they ought to remember *far more than they do* that their science cannot be the sole guide of the Statesman.

Hitherto, the value of the Science has been great in dispelling false and injurious theories, but very small in originating positive benefit; and for this it has been scoffed at; but very unjustly. The same may be said of Physic and Politics. Physicians are themselves ready to allow how unsatisfactory are the practical results of their Art in curing disease; yet their Science is of great value in repressing false pretenders and mischievous treatment. Were there no educated physicians among us, we should

be deluged with Charms and Magic, perhaps with Astrology. The science of Politics has hitherto had still less perceptible effect; (I must not digress to say why:) but it saves most educated minds from wild and false expectations, and gives sobriety to their efforts. In Political Economy the danger of quackery is immense; as the history of opinion shows: and those who have not studied systematically the works of men who have devoted themselves to the science, are (here as in other branches of human knowledge) apt to trust *their own* theories, and to name all others *mere theorists*.

I cannot better conclude this lecture, than by a sketch of the false theories which have been successfully dispelled.

Hitherto I have scarcely named the word money. Even to children who know the fable of King Midas, it may seem too plain to need enforcement that Gold and Silver are not alone or peculiarly wealth. As useful commodities they are wealth, as much as, but not more than, copper and lead. Coined Money is of great convenience, since in it the prices of all things can be measured. We have not to study how many casks of wine are worth so many bales of wool, and again, how much wool is worth so much cloth; but *each* is computed in Money, and then the comparison between any two is easy. Thus money is not Wealth, but is the *common measure* of the price of articles. Nevertheless, as it is by means of money that we practically purchase, the vulgar or childish idea of a rich man is that of one who has a vast sum of gold locked up somewhere. Just so, the Asiatics imagine that England must possess gold mines, because we are so rich: and mercantile speculators three centuries ago fell into this childish conception that Gold and Silver was the truest kind of wealth. Hence they inferred that the way to enrich a nation was to enact laws that should as far as possible draw the precious metals in, and hinder their going out. Now in selling, we receive money; in buying, we spend it; therefore their effort was, to sell as much as possible, and buy as little as possible, so that *a balance* of gold and silver might every year be due to the country. Accordingly the entrance of foreign goods was to be either prohibited or at least discouraged by heavy duties upon them, and the exportation of native products or manufactures was to be encouraged by giving every facility, and sometimes even by paying *bounties* to the exporting merchants out of the public purse.

If such a system could have been consistently acted on, by one and only one nation, as England, the end of it must have been to

accumulate into England a vast and perpetually increasing quantity of gold and silver, and to drain us of all useful and pleasant things besides. The country would be living like a miser in a garret, with vast hoards which he has not the heart to use, slaving himself to no purpose, and barely consuming enough to sustain life. When the time comes for spending, then no doubt his treasures will be of use: but when will that be? If a nation is liable to the sudden attack of war, there may be an advantage (political rather than economical) in keeping a treasure of several millions in hard metal against such a contingency: but the sum then is limited; whereas in the Mercantile Theory no limit was set. The money was coveted to possess, and not to use. If this theory had any truth, the richest countries would be those which possessed mines of the precious metals; and their proper policy would be, to dig up the ore, to smelt it, to give it its greatest purity and beauty, and then—lock it up in fortresses and forbid the exporting of a single ounce: after which the nation would be wealthy!

Monstrous as is this philosophy, it was so adopted into public policy, and so eminently by England, that it has taken 60 or 70 years to extirpate its enactments among ourselves. Its evils are still alive here, and yet more all over Europe; and, under other names, outcries are still raised for its restoration.

But it will be clear to you, that a system so selfish in its aim must always be defeated. If it were true that Gold and Silver were the only wealth, and if England endeavoured by artificial law to retain for herself all the Gold and Silver of the world, of course France and Germany and Spain would retaliate. If we excluded their products, they would exclude ours. If we said to them, "We will sell to you, but we will not buy of you," they would assuredly reply to the very same effect: thus all commerce would be stopped, unless one could overreach the other: and if the mining countries were wise enough, they would (it seems) impoverish all the rest by withholding the precious metal.—To dwell further on these absurdities is needless; but it is well to insist that, a century ago, these were held as an indubitable creed by nearly all statesmen, and that two generations had to die and a third to arise, before the truths declared by Adam Smith could gain any wide currency; so inveterate is error, when it has found its way into public enactments.

You must consider how a law practically acted, which, in order to increase the Gold and Silver in the country, excluded certain

foreign products. It gave a far greater development to the trades which *produce* the corresponding native articles. Thus, if foreign wool is taxed and foreign manufactured silk excluded, the effect is to promote the demand for English wool and English silks, *provided that* the increasing population and wealth of the country enable it to consume them largely and pay liberally. The English sellers are in that case made more numerous than they would have been, but they are not individually the richer for it. (The full proof of the last point I cannot yet give; but it is sufficient to say that, as a fact, the Spitalfields silkweavers were no better off, but rather worse than other trades, *before* they were exposed to foreign competition; and so were the English farmers.) The law, therefore, which was intended to increase the Gold in the country, though it could little effect that, did something else which it did *not* intend,—viz., it raised up a class of persons liable to loss or ruin, if now exposed to competition with the foreigner. They were accordingly said to be *protected:* and because it was a hardship to them to have to bear a *new* competition, a more recent theory arose, which forgot all about Gold and Silver, but pretended that the fostering of certain native products, (especially wheat, for which our climate is less favourable,)—by refusing the foreign articles was in itself a legitimate object with the State.

This new theory was partly Political, partly Economical.—*Politically;* it was said to be *dangerous* to depend on the foreigner for supplies of corn; for perhaps he might starve us, if war broke out, or might severely humiliate us under threat of starvation. The replies to this are decisive. 1. During the great war against Napoleon we had many years of deficient harvests, and though he was often master of the whole Continent, he never could hinder our getting as much wheat as we chose. 2. Malta and Holland, which always import largely, have, in spite of war, had steadier markets than other countries. 3. We should never depend on one country only for supplies of corn, but of course on many: IF these were all to combine against us, no doubt it would be a severe struggle; so it would, with or without corn laws. 4. A country which sells corn, is as truly liable to ruin by losing its market, as a country that buys is liable to starvation. What are English farmers clamouring for, but for the advantage of selling to English townsmen? Are we to suppose that Polish, Russian, Spanish, American farmers, if once habituated to supply the English market, would not be *equally* resolute not to lose their good customers? Our Henry VIII., in a despotic freak, declared war

against the Low Countries;* but he was forced to make peace by the outcry of his agricultural subjects, who were frantic at the prospect of losing their best customers, the Dutch. Thus, free trade was so far from exposing the Dutch to being starved by the English despot, that it actually forced him to keep the peace towards them. After fifty years of really free trade in Europe, international war would be as difficult to bring about, as Civil War is at present: and already, the Peace Interests of England have strengthened immensely.

But next, for the *economic* side of Protection. It was said, that native workers have a natural right to be shielded by law from the competition of foreigners. If foreign provisions had been *totally* excluded, it would have been more consistent: but when famine set in, all restrictions were broken down. It was too flagrantly absurd to say, that Englishmen must starve, because English farmers had not been able to produce enough to feed them.

The milder theory amounted to this—that Englishmen must be *half*-starved, for the convenience of English farmers or landlords. I speak seriously. Only by a stinted supply is it possible to force prices up, which was the thing aimed at. The events of the last three years ought to silence all objectors. The quantities of foreign food poured in is prodigious, the tilled acreage of England does not diminish, the cattle of England greatly increase,—yet all is consumed. The population has had but a trifling increase, the increase of consumption is immense; it is clear then, that hundreds of thousands were previously underfed. I must repeat: the aim of the old law was to raise price,—that could only be done by diminishing supply,—so that unless the people had been half-starved, the law must have failed: and fail accordingly it did, when several good harvests came together. Thus, under it, the towns and the rural population were doomed alternately to suffer misery. Protection has been clearly shown to mean,—a thieving from one man to give another the half, and waste the other half on the way.

But I ought not to omit that the American Union upholds a Protective Tariff for certain articles on purely Political grounds, not as Economy. They say that if they depended for

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* This was in the year 1528. I delivered the words in the text from memory, and have not been able to find my original source of knowledge. But the notices in the Pictorical History of England, book vi. pp. 779, 780, substantially confirm my statement.

their *Iron and Steel Works* on imports from Europe, any foreign power that commands the Ocean, *i.e.* whatever power is strongest at sea, would be able to control their policy. Therefore, *however much more it may cost them* to raise and manufacture, than to import, Iron and Steel, they must do it, if they are to maintain National Independence. Articles essential for national defence are hereby made exceptional. The argument is thus taken *out of* Economic Science *into* Politics. But National spirit carries the thing further, into the manufacture of Clothes. Of course it would much incommode and mortify a nation which habitually imported all its finest and most delicate fabrics to have the supply of these cut off by war, and a high spirit, eager to be "independent of the foreigner," has made it impossible for us to convert them to Free Trade in articles of clothing by any of our arguments from mere Economy. They choose to pay more for their clothing rather than to buy it of us. Thus the mere Economist has to abandon the controversy, as no longer capable of being fought out on his ground.

The Commercial Theory of Gold and Silver Wealth, and the theory of Protection, have thus been successively exploded from English legislation; but, in attaining our present freedom, we have lost all our old unions. Guilds are of little efficacy. The new trade-unions, being only of the poor workers, and of those of the same or kindred trades, have not much value as a cement of society. Municipalities and Counties have fallen in proportionate weight; Centralization has increased; population shifts more rapidly; contracts are made for shorter time; the union not only of buyer and seller, but of master and servant, is a less permanent, and therefore a less moral one. We have attained a high power of producing wealth, but at the expense of moral relationships. Nay, more than ever we seem to have become resolved into two great classes, Patrician and Plebeian, separated generally by Education, sometimes only by Wealth. A large fraction of the nation *lives from hand to mouth*, and feels little alliance to its economic superiors. I think it impossible for any one to contemplate these facts with a fresh eye, and not to feel grieved and humbled that our vast resources have produced no better result. It is not the largeness of our population that is to blame; our disease is Moral, not Economical; for, comparing the production of Great Britain with her numbers, we are the wealthiest realm the world ever saw,—except perhaps that of the United States.

Such phenomena give rise to sorrow, alarm, and projects for improvement in philanthropic and sanguine minds. Most justly.

But our philanthropy will only do mischief, if it be not guided by a sound understanding of the Economic Forces of society. In hope of clearing your minds to a just discernment of these things, I mean to treat in my future lectures concisely of all the main subjects of Economy. Although I have so distinctly renounced Socialism, I shall not think it my place so much to combat it, as to furnish you with the means of examining either that or any other proposed industrial scheme.

LECTURE II.

Rise of Private Property.—It exists before Law, yet is confirmed or modified by Law; and sometimes is created.—What things *may* be Private Property. What is Capital.—Profits of Capital.—Wages.—Usury and Interest.—Gold and Silver Money.—Primitive Banking.—Depreciated or suddenly Deficient Currency.—Commercial Crises.

In my former Lecture I followed Adam Smith in defining Political Economy to be the theory of National Wealth; but by the word National you must not understand exclusively the wealth of the *State* as distinguished from that of the wealth of the *individuals* of the nation. Our science includes both. I therefore almost think it would be better to drop the word National, and call it simply *the theory of Wealth*:—but I believe no definition will really suffice to fix our outline properly. Kindred sciences generally so run into one another, that unless each trespasses a little, it leaves its own ground ill-cultivated. Good sense must restrict such trespasses within moderate limits, but definition cannot always.

In semi-barbarism, it may so happen that Property has but lax definition. Among the ancient Germans hospitality was carried to such a pitch, that any one came at pleasure to live on the stores of another; and when those were consumed, the host conducted his guest to some new abode, where they could both live at the board of some richer man. In such a state of things, no one will labour for wealth. All are contented with little; or if more be coveted, it is coveted to feed large bands of retainers. He who by wealth and generosity can make himself a central object to fifty or a hundred comrades, becomes a chieftain; and as he looks to their swords for support, he highly values every brave man among them. Such a condition of things agrees better with the pastoral, than with the agricultural life: and at the time to which I refer, the Germans lived much more by their flocks and herds than by tilling the soil. A very similar relation of Chief of Comrades still exists in parts of South Africa. In Tartary, perhaps, as certainly among the Arab tribes, it is modified by the long traditional veneration for certain families. But when food is so little grudged, men do not willingly undertake the toil of cultivating the earth; and *crops are more exposed to the attack of an enemy*, than herds which can be driven away. No great industry can be called out, until *an individual's right in the crop* is

an idea more definitely formed and more sacredly defended. Until then, the principal wealth of a country is that which (as it were) grows of itself,—flocks and herds; which simply need a moderate amount of guarding; and even *that* wealth is not turned to its full advantage, since the manufactures are undeveloped, which would convert wool, hair, horn, hides, bone, into their most beautiful and costly forms.

Private property, however, is recognized from the beginning, in matters of luxury and ornament which an individual has elaborated. Thus, if a man with a piece of sharp stone fashions the handle of a battle-axe into a handsome form; or if he dresses up a splendid plume to adorn his head;—he has a sense of its being peculiarly and exclusively *his own*, and will feel *wronged* if it be taken away from him. In turn he is capable of feeling sympathy with another as a wronged man, who is similarly deprived. You will thus see that the idea and sense of *Private Property* is not arbitrarily created by Law, but is earlier than all Statute Law, and inheres in a primitive social morality. But, although Law does not originate and invent private property, it confirms or regulates the idea, and sometimes so adds to its force, that it may be said to *create* some kinds of right. This I must briefly explain.

There is a stage of human advancement, in which not only are Captives of war looked upon as the absolute property of their captors, but Parents as the absolute owners of their Offspring; nay, in which a wife is a mere chattel, whom her husband may dispose of at pleasure. Yet an innocent wife, if cruelly treated, is avenged by her kinsmen; and thus *some* rights are reserved for married women. When Law begins to form itself out of the chaos of Custom, the rights of the head of each family are farther defined and limited. First, a young man able to bear arms is claimed as belonging to the State and not to the Parent. Hence, though infanticide is perhaps not yet censured, an adult son is freed from the excessive power of the father. Next, where population is valued as essential to the strength of a tribe (as among the old Germans and modern North American Indians), even newborn children are claimed as public property, and a parent who slays them is stigmatized as unjust to the community as well as unnatural. Upon this, at a later stage, follow enactments concerning Slaves. If men are treated like cattle, their demoralization makes them dangerous to the State; and Law interferes to secure for the slave some rights against his owner. In a still later progress, it is recognized that men are in *no* sense

fit to be the chattels of other men; and a slave-dealer not only has—what he calls—his "property" taken from him, but is even liable to a criminal prosecution as much as one who has slain his infant child. All these are examples of Law stepping in to diminish, regulate, or annihilate that right of private property, which existed, or was thought to exist, *before* Law. Civilized Law, however, is only the embodying and enunciating of a more mature and comprehensive *morality* than the savage mind was capable of conceiving. For it does not regard the rights of one man only, but the rights of all; and it cannot admit as a right in one, that which is discerned as a wrong to another. Yet the slave-holder who is despoiled, naturally thinks himself an injured person, if the enactment comes on him suddenly, however long may have been the previous preparation for it.

In these remarks I am desiring to illustrate the statement, that Law sometimes, on moral grounds,—by considering the counter-rights of other parties,—lessens or annihilates the previously imagined rights of whole classes of men. On the other hand, it sometimes artificially creates new rights. This is most strikingly seen in the matter of *Testaments* and of *Corporate* Property. By nature, whatever property a man possesses, is his to keep or his to give away; and therefore by his last will he may give it to whomsoever he pleases; and if the State, in order to avoid the evil of each man arming for the defence of his own, has taken on itself to defend Property from the attack of violence, then it must equally defend the rights of the Legatee or Heir, as the rights of the Testator while he lived. But that is no reason in itself, why the State should enforce the Testator's desire *to continue lord of his property even after he is dead.* If he chooses to give it away and make another owner of it,—as completely owner of it as he was himself,—this is within his natural power and right. But he has no natural power or right to give it away under limitations:—to say, "this property shall belong to my wife, only so long as she does not marry again; this shall belong to my son, on condition that he does not change his religion; these rents shall be paid to a certain religious house, as long as it continues to observe the statutes and recognize the creed *which I now dictate to it:* and in order to enforce this my will, I forbid the *selling* and exchange of this property:—only the yearly fruits, rents, produce of it shall be enjoyed and used; I therefore vest the *nominal* ownership in certain Trustees, who shall secure the *beneficial* use of it to those others whom I have named." Now I say, that it is for the State to judge, whether it is or is not

expedient to take on itself to enforce the observance of such Wills. The Courts of Law, in some civilized countries, might (as in old Rome) refuse to lend their aid in extending a man's power over his property for one hour beyond his death; and all must see the necessity of *some* limitation of time, as regards Property in Land. On Land I shall afterwards speak. It suffices now to say, that Artificial Enactment (guided by an opinion of Expediency) alone decides whether a man shall or shall not have any other power of disposal by Testament, than that of *unconditional* gift. Nearly the same remarks apply to Corporate Property.

Is there, however, any class of things in which private property may be regarded as unconditional? There is: namely, those things which, *first*, can possess no rights themselves that need to be defended against the owner; *secondly*, which either are not essential to human life or exist in an abundance practically unlimited, so that one man by his absolute possession does not wrong others; *thirdly*, they must have been won by the owner in some peculiar and exclusive way, so that no one else can claim joint or prior ownership. All these points must be illustrated by example.

First, even brute animals must be regarded as having *some* rights. Cruelty to them is everywhere reprobated as immoral, and, under certain circumstances, is punishable among ourselves. Thus, in political strictness, it is only inanimate things which can become absolute property. Still, since a man is recognized as having a right over the *lives* of the brute animals which are his property, this, in the Economist's view, need not be distinguished from unconditional controul.

Secondly, where natural forests abound, every man may take as much timber as he pleases: he deprives no one else. The same may be said of Fish and of Game. Nay, water, although eminently necessary to human life, is ordinarily so abundant that every one may take, use, and waste as much as he pleases. While the supply is unlimited, he may gratify his luxury or his fancy with it to any extent. He may make fishponds or lakes for sport, and he wrongs no one. He may construct wheels and troughs to convey water from a river, and irrigate wide estates; yet, if the river fail not, no one can complain. But observe the contrast, as soon as the natural supply shows symptoms of failure:—others then become alarmed, lest *their* portion become deficient. In a crowded town municipal Law makes regulations concerning the public streams: it ought to forbid their defilement; and does so in the best ordered

communities. It will farther prescribe rules for the use, and forbid the abuse, of so precious an element; which, in more extreme cases, is distinctly claimed as *public* property.—In the case of a town beleaguered by an enemy, who cuts off the streams; if then any persons have wells in their courtyards, which continue to yield water as before, such wells would be at once claimed by the public authorities. Some indemnity or compensation might be awarded to the owners on specific grounds, as, the expense which had been incurred in digging and building the well: but a claim of property in the water would be set aside as absurd;—if, for instance, a well-owner demanded a right to sell the water at whatever famine-price he could get. This is an instructive illustration, how an article, which *had* been private property as long as the supply was unlimited, ceases to be private as soon as it becomes stinted, if it be at the same time necessary to the life or comfort of the community.

Thirdly, if one man have planted trees and fenced them against the cattle, and another cuts down some of them as timber and saws them into planks, it is evident that we should wrong the former, if we recognized the absolute right of the latter in the article: but the right of the latter is good, against all other persons than the planter of the trees or his representatives. But to follow such considerations farther, would belong to Jurisprudence, not to Political Economy.

If thus we have gained a distinct idea of things in which an absolute right of Private Property must be recognized, we shall see the necessity of ordinarily treating *all* inanimate movables and tame animals in this light. Not but that, it being granted that ornamental dress and furniture, stores of materials, precious metals and stones, are Private Property, the question arises, Shall a store of *food* be so regarded? Or, granting that a velvet cloak is private, shall *blankets* be so also?—On the one hand it may be said, Food and Blankets are necessary to life, and they are limited in quantity, therefore they cannot be Private Property. On the other hand, if they have been caused to exist by the industry of an individual, to disown his peculiar right in them is manifestly *unjust*. It is, *as* manifestly, inexpedient; for it will discourage others from producing them in future. Here indeed we may distinguish between ordinary and extraordinary circumstances. Under the pressure of foreign war or of unprecedented and unforeseen calamity, it may be *justifiable* to seize on private stores in order to prevent public starvation; in which case, of course, a reasonable and liberal compensation must be awarded to the

owners. Nor would such a phenomenon deter future production; for, being quite exceptional and unlikely to recur, the producers would not anticipate its recurrence. Nevertheless, it will hereafter appear, when I speak of the price of food, that only in the extreme cases of famine is interference of the Government certainly good.

Except, however, in extreme and very rare emergencies, we see that Food and Clothing, although necessary to human life, must be recognized as absolute private property, when they have been earned or caused to exist by private industry: and since Food and clothing do not drop down from heaven for us, but always need industry to fetch or to apply them, we may shortly say, that "in all movables, the Law recognizes an absolute right of private property."

Not all stores of private property are technically called *Capital*. For instance, a collection of curiosities in a Museum are not Capital, though, where riches abound, some of them might be saleable for a Fancy Price. But they are not *intended* to aid further production; as are special tools and stores of food.

Without some store, an agricultural nation cannot exist. A pastoral tribe may live on milk and flesh, produced from day to day; but when harvests come but once a year, a store of *yearly* food must be laid by, to last till next harvest. With the advance of art, tools are invented and improved: the spade, the plough, the cart wheel, the winnowing shovel, the flail. Stores of timber, hides, wool, copper and iron, are laid up: all these things, as well as hoards of food, are Capital; so too, in fact, are flocks and herds. Economists imagine a man's entire wealth divided into two parts: one destined to immediate personal enjoyment or generosity, the other, reserved to increase his future wealth; and they confine the name of Capital to the latter. In strictness perhaps the food which is needed to keep man alive *as an instrument of production* is Capital; but the food given to a minstrel who amuses him is *not* Capital. The latter is simply consumed, the former is consumed in reproduction.

It has appeared that Morality, and the public Law which enunciates Moral rights, sanction the recognition of these stores as Private Property. We must consider farther what comes of this. An ingenious man (let us say) has invented a Plough. His neighbours see that it saves labour, and beg the loan of it. The owner is willing to lend, if its hire be paid; and his terms are accepted. If this is found permanently advantageous to both parties, he makes more ploughs, charges for the use of them, and

keeps them in repair. After deducting for the trouble of repair, the recompense which remains is the *Profit* on his Capital, that is, on the Ploughs.

Or again, a man who sees the new efficiency of labour with an iron plough, is struck with the absurdity of working with a wooden spade or hoe; and offers to work with the plough for the benefit of the owner, stipulating for a remuneration, which is then called Wages. Often it happens, that, *from having no store of food* to last till the next harvest, a man is glad thus to offer his services to another. He is then fed from day to day, and receives other advantages that are agreed upon, but claims no part of the crop, which all belongs absolutely to him who pays the Wages.—So, if it be, not a harvest, but some process of manufacture; say, the tanning of leather. He who has Capital,—which there means the Materials for Tanning, with food or whatever will purchase food,—pays Wages to men willing to assist his work, but expects the Leather that results to be regarded as absolutely his own.

One mode of Contract is better than another; but the Contract is a matter of private concern, and whatever it may be, it must ordinarily* be recognized by the Law. Of course it might be so made, that the workman should receive no weekly Wages, but a fixed payment at the end of the season, or a fixed proportion of the total produce or of the clear gain; or he may be paid partly in Wages, and partly by a share in the Profits. The moral differences of this or that method will be afterwards considered: at present I am only explaining the *meaning* of Profits and Wages, and showing that each is *primâ facie* morally justified.

Examining this in detail, we see, that if any one advances Wages to workmen, he has a right to expect that he will at the end of the period *regain more than he gave out*. If he does not, he has risked his Capital for nothing but the pleasure of doing good. This *may* be to him a sufficient reward, but the community cannot *demand* that it shall be thought by him sufficient, without quite annihilating his right of Property. *If*, on the mere ground that I possess, beyond what I need this year for my own family, one hundred barrels of flour, or the means of purchasing this quantity, I am therefore *bound* to pay them away to labourers

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* In general our laws against *Truck* are justifiable, only on the ground that the workman is too ignorant or too weak to insist on a beneficial and just contract. By "Truck" the Capitalist often unfairly presses on the workmen to accept payment in articles undesirable, or even wrongful to the wives and children of the workmen.

as wages, and at the close of the season must receive back *only* one hundred barrels, and distribute to the labourers any surplus that may remain from the fruit of their work; it will follow that I am equally bound to repeat the process *next* season, and so on continually,—at least, if meanwhile I have from other sources the means to feed myself. But to say that I am bound, year after year, to part company with my property for no advantage to myself, is to say that I have no greater right in it than other men. At least the only difference in it is this,—*they* consume it when they want it, and leave me to take the chance of finding it replaced;—I also consume it when I want it, but need not labour to replace it. *Profits* are to each man *the reward of Abstinence.* Where, by artificial law or by natural causes, no Profits can be reaped, all personal motive for abstinence is removed; and unless men could be actuated by a far higher morality than has yet been attained in any nation, either hoarding or immediate indulgence will withdraw all Capital from the market.

Under a Turkish Pasha, to be rich may expose an "infidel" to excessive taxation, and sometimes to danger of his life; in such case property is either concealed or simply wasted. A gentleman who had resided five years in Jerusalem, told me that he had seen a whole plantation of olive trees with the fruit dropping on the ground ungathered. He remonstrated with the owner (a native Jew) on this waste, but received the reply: "My friend, I have enough to feed my family with: if I have much more, I shall be an object of cupidity to the powerful, and my life will be less safe." Nearly the same result would follow, if Law or Public Opinion forbade Profits. By making superfluous property almost valueless to the owner, it would prodigiously enhance the tendency to immediate enjoyment; it would repress frugality, promote universal poverty, turn Dearth into Famine, and prevent the poorest from finding resources in richer men.

Nor would the highest morality in any case forbid Profits. He who temporarily abstains from using and enjoying what is his own, and meanwhile lets others enjoy it instead, deserves a reward in kind. He *may* afterwards choose to give away his Profits, but they must be his own, or he cannot have the pleasure of giving away. Labourers never ask that he who spends his property on them for the contingency of recovering it shall derive no material advantage himself,—shall encounter the risk for the pure pleasure of doing them a service. This is too unreasonable to occur in real life. It is only a dream of closet-theorists. Practically, the total gains of every permanent trade are divided

into at least two parts, of which one belongs to the Capitalist, and more than replaces his Capital; the other part (whether paid all in Wages or partly as Wages and partly as a share of Profits), goes to the workman *who contributes no capital.* In what proportion the division is made between Capitalist and Workman, depends on circumstances to be afterwards brought forward: but a division must be made.

Suppose now a state of things in which Capital is steadily receiving Profits, and you will see a new possibility. Some Capitalist becomes weary of the toil of superintending labourers. He takes a partner in his business, throws on him the burden of duty, and practically retires from active service. He becomes what is called a *sleeping partner* himself. He can no longer expect the same ratio of Profits as before, but a new arrangement is made. Either a fixed salary is assigned to the managing partner, which is to be paid *before* any division of Profits is made, or a smaller ratio of Profits is allowed to the Capital of the sleeping partner than to the Capital of the other; or lastly, a fixed percentage of profit is allowed to the Capital of the former, and the whole residue belongs to the manager. This fixed percentage is then called *Interest* and not Profits. It occurs equally, if a man finds he could advantageously employ *more* Capital than he has got; and therefore borrows of some one else. If he can get 10 per cent. profits on the increased principal with little additional trouble, he will gladly pay 5 or it may be 6 per cent. to the lender. And the lender will often prefer to get 5 per cent. without the trouble of superintending, than 10 per cent. with the trouble; especially as he might lose the whole, if he have no experience in that business.

Interest in its origin is called *Usury*, and the history of it must be here briefly given. In a poor nation debts are seldom incurred by the wealthier for the sake of increasing wealth, but only by the poor through distress. A little farmer in India loses a bullock at a critical season, and with it may lose his year's crop if he does not instantly replace it. So urgent is the need, that he is willing to give what we account enormous interest; say 40 per cent. per annum, *which with him means*, 10 per cent. at the end of three months, at which period he hopes to repay it. A richer man is found, willing to lend, who, if there is no class of wealthy money-lenders, has few competitors in this market; so he takes whatever high interest the other is found willing to pay. —Such a dealer is often hated, and stigmatized as a *Usurer*, because his gains come out of other people's necessities. Yet it

is clear that he is in some sense a benefactor;—why else do they seek to him? and he *undergoes much risk, and has great trouble in recovering his debts.* His average gains are possibly still large, but that is in part the fault of those who stigmatize him. By so doing, they drive away his competitors, and confine his trade to those who are willing to defy public opinion. In that case he gains an additional payment, not only for his trouble and risk, but for the hatred which he encounters.

Socialists who strive to forbid Interest of Money, often appeal to the Bible, and pretend that "Religion" forbids it under the name of Usury. This justifies a short digression. Nothing is clearer than that they are wrong in *fact.* Both Old and New Testament sanction it.

(*a*) The Mosaic Law forbids a (rich) Jew to take interest from a (poor) Jew; but expressly allows a Jew to take interest from a Gentile. Therefore it is not regarded as intrinsically immoral. The legislator did not contemplate the case of a man who is well off, perhaps even moderately rich, desiring to borrow, that he may become richer.

(*b*) As to the New Testament, in a certain parable Jesus entitles a servant *wicked and slothful,* because he did *not* lend his master's money to the *Usurers* and thus increase it. Surely this flatly crushes the idea, that he condemned the principle of Interest in our modern sense.

Usury and Interest differ morally. It is not a mere question of rate per cent., but in the case of Usury the borrower was generally hard pressed or even destitute, rather an object for charity.

The justification of *Interest* lies in the obvious and certain fact, that present money (whatever the currency) is of higher avail than money which will not be in hand till some future date.

A great fallacy is nursed under cover of the word *Society.* Poor men are told, that the Interest of Money is paid by "Society;" then each says to himself, "A part of it is levied as a tax on *me* and on all the poor." But if a rich lady inherit £30,000 from her father, she has as much *right* to it now, as he had when he gave it to her; and if she lend it (say) in Debentures at four per cent., the Company which is glad of the advantage pays her for the advantage. No other part of "Society" pays her. To assert it is a slander. Nor can she derive *infinite* pay for a *finite* transaction, as has been pretended. One who inherits a *Moneyed Estate* needs perpetual prudence and vigilance as to Investments, or else (proverbially) in three generations the rich family becomes poor.

But of Money I must now speak more particularly.—Gold and

Silver, by reason of their rarity, have a high exchangeable value. They are remarkably *durable*, gold being wholly unaffected by the atmosphere, and silver being easily shielded from it. Moreover, if the yearly produce of mines vary, still the produce is always small in comparison with the mass of gold and silver in the market of the whole world; and for these articles all the world is one market: hence this current value is the less liable to sudden change.* These qualities have always made them admirable instruments of barter. The stamp put on them assures us of their purity and nearly of their weight, and saves much trouble. To attain these objects, Governments in most places issue coin. Thenceforward, nearly all commercial transactions go on by means of money, and the quantity used in an early stage of progress is enormously great in comparison to the amount of commerce. For, at first, great money-lending Banks do not exist. Every trader finds that, in order to make economic bargains, he ought to have a large sum of gold or silver in hand. Hence in the earliest times of history the elaborate travelling of the Greeks to the Ural Mountains, and the voyages of the Phœnicians to Spain and of the Hebrews to "Ophir," for these much coveted metals. Gold was also accumulated in sacred treasures, partly locked in temple-coffers, partly in the form of holy vessels and decorations: but all of it *could* be turned again to service, and often *was*, in warlike necessities, and then it became diffused through the community and was not again easily parted with by the merchants.

The great premium attached to the possession of Gold and Silver, by the power it gives of selecting advantageous moments of purchasing, gradually gave rise to the trade of the *Banker*. The primitive Banker is a lender of his own money; but differs from the old *Usurer* in this respect, that *he lends to the well-to-do* and seldom or never to the poor. Hence he lends with less risk, and can afford to do it on cheaper terms; and with excellent reason, he avoids the popular odium which attended the Usurer. Thus wealthy and honourable men publicly profess the Banker's trade, and their Competition gave to the borrower the best terms which the state of the market made possible. Ordinarily the borrower can give *security* so good that the prudent Banker undergoes little risk. Let me put a case. A wealthy trader possesses ships and houses and masses of goods now on sale in a foreign country: and at this very moment he wants an additional £1000

* The increased demand for gold during a great war, has made gold vary more than silver.

to complete a very advantageous purchase. To force an instantaneous sale of his property would involve far more loss, than the transaction would bring gain; but instead of *selling*, he *pledges* some part of it to a Banker, and obtains the loan he desires. In a few months, or perhaps weeks, he repays it with interest, both parties having found their advantage in it.—As soon as such transactions can be counted on as possible, it is no longer necessary for every trader to keep so large a hoard of gold and silver. Each is able to enlarge his business, where he was before impeded solely by want of this circulating medium. Individuals, instead of hoarding gold, pass it to a banker to keep it safe. Thus the gold currency is not largely locked up and the transactions of the community expand in a greater ratio than its gold and silver coin.

The later Banker differs from the earlier, in two respects; *first*, that he receives deposits, and lends *other people's* money as well as his own. Whatever the dangers of this engine, it is evidently one of great power. But *secondly*, our system of paper money, bills, and transferences, of which I shall afterward speak, yet further amplify and facilitate commercial transactions. Moreover, all our banks stand in close relation to some London banks, and these, again, form an organic whole with the Bank of England and the Mint.

Among ourselves a simple self-regulating process determines how much gold bullion shall be turned into the currency. Some would at any rate be coined and issued by the Government for Government use; but if no more were coined, a great deficiency might be felt; for who shall say, that exactly what the Government happens to spend shall be enough for the public convenience? And yet how is the Government to know how much more to coin? or after coining, how is it to put the money in circulation? for it surely must not be given away for nothing.—The *principle* on which we proceed is, virtually this. Any merchant or banker who wants gold coin, by offering some equivalent obtains gold of the bullion merchant, and demands of the Mint a number of sovereigns exactly equal to the value of the pure bullion. That is, he will get 5000 sovereigns for pure gold worth £5000; or indeed for a mass of standard gold of the very same price. Thus the Mint *makes a present of the workmanship*, and, if required, also of the alloy. If the banker were to melt up his sovereigns, and send the mass to be recoined, he would lose nothing but the use of his money during the delay; and this is amply sufficient to hinder it.

In *practice*, however, the Mint will not coin for an individual

less tham £10,000's worth ; and to compensate for this, the Bank *of England* engages to give its notes (which are immediately convertible into sovereigns) for gold bullion, at such a rate as exactly amounts to the same thing as though the Mint were willing to coin 10 sovereigns at the time for any one. In the result, the Bank is the principal agent in setting the Mint to work; yet the Bank has no choice of action, but is the servant of the community.

When a government currency has become steady and abundant, all contracts are made in it. Thus among ourselves, a builder engages to finish a house for the sum of 1500 sovereigns ; a merchant borrows 1000 sovereigns, and engages to pay back 1050 at the year's end: and so on. Where the currency is unfairly tampered with, the good sense of men of business teaches them how to evade it. In Turkey no contracts of any magnitude, or which are to last for several years, are made in Turkish piastres, but in *dollars* (Spanish or Austrian) or in *sequins* (Venetian, Dutch, Russian). If in the interval between the making and finishing of a contract the value of the current money changes, then one party or other sustains an unfair loss. When a trader has borrowed £100, but before the time of payment comes, the government has fraudulently or in stress of war issued a debased coinage ; the sum which he repays is not 100 of the *same* pounds as were lent, but 100 pounds of inferior metal, which will not purchase so much from the foreigner. Thus every creditor is defrauded, and every debtor unfairly benefited, by depreciation of the medium. When severe war presses on a nation, some inevitable inequality of taxes is not the worst infliction.—The opposite case, of a suddenly *deficient* currency, is one which no government can hinder. Either war or commercial panic or great losses, from famine or unwise speculation, may cause it. I will briefly name some ancient and modern examples.

When Caius Julius rebelled against his country and invaded Italy, the senate and the great mass of the aristocracy gave way before him and withdrew into Greece. As none of them knew how long they would be absent from their Italian possessions, all took with them the largest possible sum of gold and silver which they could command, and Italy was emptied of the precious metals. In consequence even wealthy debtors were unable to pay their debts. They may have had lands, flocks and herds, houses, furniture; but none of these things would serve as payment, until turned into money; and since the bankers had been drained, debtors could not borrow of them to pay their old debt; and when many at once tried to sell, all property became depreciated and wide-

spread ruin followed. Cæsar at last relieved and stopped the mischief, by enacting that creditors should accept payment, not in money, but in other property, if offered them; and that the property should be valued at the price which it fetched *before the war broke out*. This was an equitable and successful act of power; but it was a pity that it did not come weeks and months earlier.—A very similar tale is told by Tacitus in the reign of Tiberius Cæsar. The old Roman laws had restricted lending on interest: senators especially were forbidden to become money-lenders: yet the absurdity of the law had led to its almost universal violation. Informers suddenly discovered that this might bring them a harvest of gain; and prosecutions commenced. The Senate was alarmed; and the Emperor, able man as he was, committed the error of annexing, as a condition of his assent to impunity for the past, that all should immediately call in their debts. In so sudden a demand for an infinity of payments beyond what was usual, debtors found it impossible to get money: severe loss, and bankruptcy began to follow on an alarming scale, until the Emperor appointed commissioners to lend public money to all who could give a good security; by which he arrested the enormous mischief.

In modern England similar results arise from time to time, generally through error of speculation. The most recent of these crises, but not the most violent or the most widely spread, arose from three causes at once—loss of the potato crop, with a generally defective corn harvest,—miscalculation of the supplies that might be drawn from America,—and enormous overspending in railways. To carry on the vast increase of business occasioned by the railways, a large *increase* of the currency was needed; the scarcity, and consequent high price, of provisions made the want greater still; yet at this very time vast sums of gold were sent abroad to pay for foreign food; and, the country being drained of its money, debtors were distressed exactly as in the former cases. Whenever those who possess solid property, of whatever kind, encounter great losses, from whatever cause, one might fancy that relief would come by *selling* their property. But if loss and ruin is wide spread, buyers are hard to find. All property is depreciated. The natural relief is by issuing *transferable notes* based on mortgage of sound property. Necessarily then with us, the history of such a time is complicated by the use of Paper Money; and the end cannot be fully explained till I come to that subject.

Let me now concisely sum up the results we have attained;—

that Private Property in artificial things* must be recognized:—that this cannot be, without admitting a full right of unlimited consumption of what is one's own, or of *parting with it on what terms one pleases*:—which *essentially implies* the rightfulness of selling to the highest bidder, *i. e.*, the rightfulness of Markets, Auction, and Competition:—that as the reward of Abstinence, Profit on Capital is morally right and desirable:—that where is Profit, there is also room for Interest on Loans:—that Profit and Interest must be allowed to settle themselves *by the competition of the market*, whether the Profit be in the form of *hire* for the use of a thing, or a surplus gained after replacing Capital which has been in part spent on the Wages of labourers:—that Interest is as legitimate as Profit, on the very same grounds. I have also explained the vast utility of Gold and Silver in facilitating commercial transactions, the aid further given by Bankers in economizing Gold and Silver by lending it on good security. Finally the severe distress resulting to debtors, (and through them to a large fraction of the community,) when there is a sudden diminution in the money of a country, or a sudden demand for a greatly-increased quantity. This is called a *Commercial Crisis*. It is to numbers a great calamity. Nothing so relieves it, as if there exist a very firm and universally trusted Bank (such as our Bank of England) which is able at *its own* discretion to lend *only its own* CREDIT to the debtors who have property and only lack money.

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* *Antiquities* which cannot be reproduced, may be liable to Compulsory Purchase for the community; so too Food and Water in a special crisis.

LECTURE III.

On Distribution.—Relation of Profits to Distribution, and to Production.—Use and absolute necessity of *Middlemen*.—Effect of Competition on Price (especially of Food), on Wages, Profits and Interest.

Useful Commodities are not always Wealth. Water is most useful; but where it is abundant and at hand, it has no exchangeable value; and human population could hardly exist, unless it were everywhere extremely cheap. To the idea of Wealth (in any emphatic sense) it is essential that the articles so named should be easily marketable and ordinarily fetch an appreciable equivalent.

Hence if anywhere Nature were so profuse as to give food of herself,—as from the Breadfruit Tree growing spontaneously,—such food might become as unmarketable as Water with us. And wherever either food or any other useful or elegant article is produced with little effort, in quantities far beyond the need or desire of the immediate neighbours, it becomes low-priced in the extreme, unless it can be sent away to those who need or desire it more. To find out *who* these are, is called,—*opening a new market;* and its tendency is, to confer a new value on the articles.

To make the objects of our natural desire available to our enjoyment, two things are needed,—first, that they be *produced;* secondly, that they be *distributed*. The second process is as essential as the first. Wheat flourishing on the fields, or even stored in the granaries of Podolia, Hungary, or Ohio, is as useless to a hungry Englishman as if it had never been produced, unless there be at least a prospect of its carriage hither, or of its supplying those who send away their own wheat to us. The expense of distribution may easily exceed that of production, as, I presume must happen with the breadfruit, if eaten in Moscow, or Greek wine drunk in Oxford. Although it is manifest that distribution must involve large effort and cost, and that it is quite as essential as production, nothing is commoner than an ignorant resentment against the expense of it as a sort of wickedness. If Tea is bought at the London Docks wholesale at 15d. a pound (including duty) and sold in a country village at 4s. 6d. a pound, the fact is looked on as something monstrous and preternatural, and leads to all sorts of outcries against the villainy of "middlemen;" as if the tea could be expected to walk of itself

from the docks, and find out by instinct which cottage in England was waiting to receive it;—could then and there receive the needful 15d. and convey it back to the merchant at the docks.

In a barbarous state, Distribution is either enormously expensive or often impossible. Commerce is perpetually facilitating and cheapening it, nor are we at all at the end of the cheapening process. By all means let those who can buy wholesale, and otherwise lessen the present expenses of distribution, do so: but let them not utter invectives against middlemen and against commerce, when, but for these, the articles would never have been had at all, or rarely and by few. This fanaticism, however, needs to be explained.

Intelligence is that which facilitates both Production and Distribution. He who by greater intelligence produces a useful article more easily and more rapidly than others, naturally grows rich. Though this is a reward obviously deserved, it often attracts Envy and even Rancour against him; as in the case of one who invents an ingenious machine for abridging labour.—The same intelligence enables a merchant to distribute goods judiciously. He finds out where certain things abound, and are therefore little valued; and where, on the contrary, they are deficient, and will be bought gladly at a high price. He thereupon buys them in the cheapest market and sells them in the dearest; *is a benefactor in both places*, and makes possibly a large profit by the transaction. His intelligence was as essential to the proper distribution, as in the former case to the creation; and the more singular his intelligence, the larger his gains are likely to be. But these gains are envied by the half-educated, still more than in the former case; and an effort at philosophical thought often stigmatizes him as an unfair dealer. It is said: "To buy cheap and sell dear is a fraud." The goods are to the eye unaltered and unimproved by the process they have undergone from the merchant; what right then has he to enhance their price? If indeed they are heavy, even a rude intellect perceives that it is fair to add to them the expense of carriage. None expect to buy coals that have been conveyed 100 miles, as cheap as at the pit's mouth; but in the case of light goods even this is forgotten. Moreover, it is notorious that the merchant sells for whatever price he can get, and often has two prices for different buyers: and this is apt to give an idea of his trade being a grasping, if not a dishonest one. —Thus the Trader, who is the great civilizer and uniter of mankind, is constantly envied and hated by those whom he benefits. So Tyre was hated by the Hebrews, Carthage by the

Roman, Holland by all the surrounding barons and potentates, England by Napoleon, and, even now, the trading population of England by too large a fraction of our own people.

Undoubtedly, Commercial Companies or States, after rising to wealth and power, are prone to establish monopolies by force or fraud, in order to hinder others from underselling them. *When they do this*, they become unjust: but it is not their *trade*, it is the military or naval force by which they repress the trade of others, which is unjust. To treat a market as exclusively their own, is to forget the rights of their customers, as well as of their rivals.

The doctrine that a trader "ought to add to the price of his goods only the expense of carriage," is plausible to those only who do not know the difficulty or impossibility of even *interpreting* it. Suppose a merchant to import corn from the Mississippi, from Spain and from Odessa, to London: it has cost different nominal prices, and in a different currency; it has been actually paid for by cargoes of different sorts of goods; the carriage has cost different sums; it has been warehoused for different periods, and the merchant has been kept out of pocket by it for different lengths of time. The Odessa wheat may have been paid for in broadcloth, crockery, and hardware; the Spanish in cotton, guns, and sugar; the American in haberdashery, saddlery, silk manufactures, books and jewellery. Now, if by an elaborate calculation the merchant were to convince himself that it was just to ask for the three sorts of wheat 63s., 54s., and 42s. a quarter, when he brought them into the market (the quality of all being alike), how could he possibly prevail on his customers to buy the higher-priced sacks at all? or what would *then* be said of his honesty, to charge differently for articles of the same intrinsic value? It surely is manifest, if he is to carry on his trade at all, he must strike some sort of *average*. Moreover, is he to charge nothing for his own trouble and risk? Is he alone to live without wages or salary? or how is he to settle whether to allow himself £100 a year or £500? and will any consumer wish him to be absolute arbiter of such a question?

Nor is this all: but two different merchants cannot at once sell the same article in the same market at prices sensibly and notoriously different; hence the average is to be struck, not from the dealings of each merchant, but of all. Yet none can know the expenses which another has incurred, or the facilities which he has enjoyed. To determine a price by such considerations is evidently an impracticable theory and a mere conceit. Each

finds out the cost which another has incurred, in no other way but by the price he is willing to accept: and no *one* dealer is able to make a price: *it is made for him* by the general striving of the market. Those who say that different dealers should sell at different prices according to their own view of their expenses, are either absurd, or are really desirous of impeding or abolishing *all* buying and selling.

Thus the doctrine that the goods in any market ought to be sold at the price they cost, increased only by the price of carriage, is inapplicable; *first*, because they have cost different prices, while it is an infinite problem to settle what prices, and a problem as to which the customer could never satisfy himself. But, *next*, the just price is a far more complex question. If the housekeeper of a nobleman resident in a Welsh baronial castle writes to a London broker, enclosing a draft for money, and requests him to buy a chest of tea in the docks, and send it straight to Wales, the increased price will be simply a small charge for the broker's trouble, and the carriage (we will suppose) by Pickford's vans. But how different the case is, if a shopkeeper or merchant, without receiving any order or any previous payment, buys quantities of tea and sends them into different parts of the country for *the chance* of their being sold? He risks his money, he regains it at length only slowly and with various losses. Teas sent to some places have not sold: elsewhere some has been damaged or wasted by accident, much by exposure to air; bad debts have here and there been incurred: all these things have to be allowed for in the price. Finally, it may be that a poor woman by the side of the baronial castle buys a quarter of a pound of tea, and pays for it at the rate of 4s. 6d., though the nobleman close by is drinking it at 3s. 9d. This is pointed to as a hardship and an iniquity! Truly, if the poor will and can combine to give an order to the wholesale merchant *and pay beforehand*, they also will get the article cheaper; and by all means let them try to do so: but if, when they try, their union fails from want of the moral qualities essential to its success, it is a slanderous injustice, and a sort of insanity, to declaim against the shopkeepers who "take profit" out of the article. If the purchaser will not or cannot *advance* the price, he has no right to expect it as cheap as those who do.—We thus see that the *price* to be added to an article, is not dependent only on the road-charges, but on delay, waste, and other circumstances. If the trader advances and risks the money even for the carriage, and has no personal trouble worth naming, he still needs a higher payment; much

more when he advances and has various losses. These are the real causes of the enhanced price.

Those who declaim against *middlemen* would soon wish for them, if they were taken away. At present in the towns of Turkey may be felt the inconvenience of their absence. An upholsterer, for instance (though he is not a merchant, but a manufacturer), is equally a middleman, who employs wealth in setting men to work in constructing household furniture, and keeps in his shop a stock ready-made for the choice of buyers. Of course he charges more to the customer than he has paid to the workmen,—for the reasons I have named—advance and risk, besides personal trouble. If in a Syrian town where there are no upholsterers I want to furnish a sofa for my drawing-room, I have the following process to go through*. I must stroll to one of the gates of the town and watch for the entrance of some countryman who may perhaps possess sheep; and after accosting many of them, I at last find one who has on his hands wool unsold. A bargain is made, and after some days the man deposits the wool at my house. We will suppose that I find it all to be good and suitable. I have then to hire some men, who take the wool to wash and clean, after which they restore it to me. Meanwhile I have been to some Frank merchant's store to buy English cottons, or it may be silk, as a sofa covering, with all other materials needed, down to needles and thread: after which I engage some more men to come to my house and there work up my cushions, hassocks, and all their apparatus: and thus at last the article is finished. Unless my time is worthless to me, I gladly pay a substitute for taking off my hands whatever trouble *can* be taken off: and he is in fact to me a new middleman, less efficient and more expensive than if it had been his profession. The workmen, on the other hand, it may be thought, will get a higher rate of wages than they would have from an upholsterer: but even this is a delusion; for that system keeps a nation poor, and thereby depresses wages; nor can employment ever be so steady, if every one has to run about for workmen, instead of delegating this to definite persons.

The multiplication of intermediate agents has manifestly risen out of *mutual convenience*, and indicates a step onward in the development of industry. There may be new inventions beyond, which will supersede our present system: no one pretends otherwise. But to declaim against middlemen as such, deserves no

* I told all this from my own experience of Aleppo in 1831.—F. W. N.

other title than fanaticism. Moreover, to imagine that workmen could screw up wages by always dealing with the ultimate consumer, is ridiculous. But this deserves closer examination.

First, in regard to the materials of goods, it is generally physically impossible to deal with the original producers. In regard to foreign productions this is transparent. The silver, the ivory, the cotton, the mahogany, the tortoiseshell, must be bought by me of a middleman, or I can never have any of them. —But suppose I want a leather portmanteau: how, without destroying the Division of Labour, and going back into savagery, could I order such a thing of the original workman? and who is the original? is it the grazier, who fed the ox? or the butcher, who killed it? or the man who planted the oak, whence came the tannin for curing the hide? or the tanner that cured it? Then there is cotton lining and pasteboard, and a brass lock and iron buckles. Am I to deal with the producers of all these? If he who calls himself the workman of the portmanteau buys all these materials in the market, he is to me a middleman, and in fact he has to deal with other middlemen.

In the progress of modern industry, the cheapening of materials is one of the most amazing results, and is eminently important to the poor; but without a vast and various system of Capital and Profits, it could not have been. Consider the abundance and cheapness of *iron* in England, whence the excellence of tools and the efficiency of labour. The poorest peasant can afford an iron spade and pick-axe: the meanest carpenter has a profusion of instruments which in the middle ages would have made him envied. And whence this cheapness? From the enormous capital invested in mines. Had not wealthy men and companies constructed vast works, powerful machines and furnaces, and maintained armies of miners,—the iron ore would still be deep in the bowels of the earth, or, when by accident cast up, be neglected as a useless stone. These wealthy miners are *middlemen*. Without Profits their Capital would not and could not have achieved these industrial wonders: and without their Capital and energy, what could the working miner have done? He would have been drowned or starved long before he could reach the ore. Thus, even in regard to our native materials, iron, coal, leather, it is impossible for the first workmen to deal with the ultimate consumer.

Waiving this objection (decisive as it really is) I admit, that when I had a positive and conscious want, I might in many cases deal with workmen directly: and when I went to look for

the workmen (which would only be when I suffered inconvenience), they would in special cases get higher wages from me than professional employers now give them. But things bespoken by the consumer, are by far the smallest fraction of things in the market. A workman, when unemployed, does not willingly remain idle. A cabinet-maker (if he has materials) makes boxes, elegant tables, and other furniture; after which (we will suppose) he exposes them in a stall, or hawks lighter articles in the streets. But still selling too few, he is in danger of laboring for nothing, and begins to be idle and desponding. A wealthy man steps forward, and offers to buy his whole lot,—being aware that by transporting it across the sea he can sell it with advantage. The cabinet-maker gladly accepts the offer; clears his stall, fills his purse, and sets to work again actively.—What now would this honest workman feel, if some one, assuming the air of a religious teacher, forbade the intending merchant to gain any profit by the sale, and the merchant bowed humble assent? Could the joiner be blind to the fact, that this was to deprive him in future of the advantage he had just received? If hereafter the merchant repeated his purchase, it would be *as an act of charity*, no longer as a transaction of the market: but the joiner does not wish to live on alms; he wishes to earn an independent livelihood. Surely he would say, that this doctrine of forbidding Profits is a most cruel one to the labouring man, whose work it gravely cripples, by forbidding its efficient distribution. Unless to his trade of cabinet-making he can add that of a merchant, or he can find benevolent persons to buy for the pleasure of aiding him, it is useless for him to go on producing. In this case, no one could blame him morally, if he chose to *hire* a merchant:—that is, to entrust his stock to one who would try to sell it abroad, and would be paid a commission for his trouble. But the difference from the former case is all to the joiner's disadvantage. He now himself takes the risk of sale or no sale, besides other losses; and he is kept out of his money for months or years; he has to judge for himself whither to send his goods, and perhaps miscalculates. If he has to send an agent specially for himself, the expense will be ruinous: if by good luck he finds a person who is going on other business, it may still easily happen that his commission equals what the merchant's profit would have been.—The existing system leaves this method open to the working man, whenever he thinks fit to adopt it; but also permits his throwing his entire risk on a wealthier person, with the advantage of receiving immediate payment and making none. These most

critical advantages the pretended friends of the Poor would refuse them, by their crusade against Profits; would restrict their right of selling the fruit of their labour, and imagine hereby to make it more valuable. Perhaps they will call these blunders Christian Socialism.

In any English town step into half a dozen common shops, say of China, of Hardware, of Furniture, of Drapery, of Blanketing or Clothing. You see at once how vast is the quantity made *without being bespoken;* and in Warehouses how much beside! All this collectively is our Wealth. The theorist who says, Nothing shall be made, until it is bespoken, bids workmen to be idle three hours out of four, and the nation to be always very poor.

Undoubtedly the immediate object of each mercantile transaction to every man is a personal advantage or convenience;—whether in buying food or Shares in a Company, in selling cattle or cotton, or watches or books. This is not only no fault, but is essential to our independence and dignity. What I just now said of the joiner, may be repeated of us all. We wish to be remunerated for doing and supplying what others value; not, to be supported by their benevolence. No doubt, even in marketing, room is sometimes left for liberality (chiefly when we buy for *our own* consumption and enjoyment); yet liberality is not, cannot, and ought not to be, the main and moving principle. *One's own interest* is the main and rightful one in buying, of which we ought not to let sentimental moralists make us ashamed.—Now the grand and noble moral theorem expounded by Political Economy, (and which, in fact, I have had especially in view from the beginning of this lecture,) is, that the prices to which the striving of the Market tends are those which are best for the Public, that is, the cheapest which can be permanent. Hitherto I have been showing how necessary Mercantile Profits are to the Distribution of what is produced, and Profits on Manufacturers' Capital to Production. I shall proceed to show what is the result of Competition on the general market; and, first, in regard to the Price of necessary things, especially Food.

If a ship at sea is long becalmed, and provisions alarmingly decrease, it becomes the duty of the captain to husband the store by enforcing a limited allowance. It would not be philanthropy to insist on feeding as plentifully at such a time, as when there was abundance. When a nation has had several deficient harvests together, when the old stores are spent, when efforts to bring in food from abroad fail, and there is not enough to last

till the next harvest at the ordinary rate of consumption, it is evidently to be wished that the rate of consumption should be checked. But how is that to be done, by any organization less severe than that of an absolute despotism which enters every family, pries into every larder; and which is strong enough to exercise, when it pleases, a grinding tyranny over social as well as public life? The desired end is effected *by the competition in the market*. For example: when corn and flour are scarcer than usual, the large buyers are the more anxious to effect their purchases, and they raise the price by their eager bidding. And they are made willing to give more, because they foresee a scarcity which will ultimately make the consumer willing to give them more, rather than go without it. For the same reason the millers and bakers, in purchasing their stocks, are willing to pay higher than usual, and cannot get it without. Thus, ultimately, it becomes higher in the baker's shop. To avoid the high price, the consumers try to make up by other kinds of food; but unless these are more than usually plentiful, the effect is to raise the price of these also, while that of corn does not rise quite so high as else it might. High prices check consumption, and thus enable the stock of food to last longer than it otherwise would. For, the price rises to whatever height is essential to effect the object; if indeed the case is not so bad that starvation is inevitable. For, the holders of the food will not part with it while they see a prospect of its presently becoming dearer,—that is, of an increased deficiency: there is, therefore, no limit to the possible rise of price, except in the inability of purchasers to pay; and the moment that inability begins to manifest itself, consumption begins to be checked.

Nor is this all: but the High Price also stimulates merchants to use every exertion to obtain supplies from abroad, by which the want will be alleviated. If, on the contrary, by a weak and and foolish philanthropy the rich in time of famine were to contribute money in order to enable the poor to eat as much as before (which is as wise as to decree that men shall eat six loaves, where there are only five), the effect would be to force the prices up higher than the level they else would reach, and increase the distress very rapidly.

Further, if a despotic government could have power to forbid any rise of price in time of scarcity (which many persons are thoughtless enough—I might say, infatuated enough—to desire), not only would consumption go on unchecked, but no stimulus would be given to draw supplies from abroad, so that absolute

starvation must at length result. The high price enables the food to be brought *from greater distances* than the ordinary price would remunerate, and allows unusual expenses to be incurred by the importers in many other ways.

When there is no scarcity, a rich man may possibly do good by giving money to the half-fed, and so enabling them to feed themselves fully: but in time of actual famine the only way to do good is by increasing or economizing the stock of food;—to be *more severe against waste in one's household*, to turn into solid food what previously was ornament or luxury, and in extreme cases to lessen one's own diet in order to give away to the starving.—Happily, however, our commerce is so wide and active, that if prices do but rise soon enough, a sufficiency of food will be poured in for almost any imaginable want. Yet such times are, at best, very impoverishing to tens of thousands.

You will now be able to understand a remark in the preceding lecture, that even in scarcity approaching to famine it is doubtful policy for the Government to interfere, except as in a Poor Law. If indeed there are bad laws which ordinarily forbid the introduction of food, it may be essential to suspend them; yet that suspension will involve loss perhaps severe to innocent classes of men: a true Economy therefore deprecates such laws. Suppose none such to exist, and then ask: What can the Government do in the way of procuring or distributing food, that will not be better done by the merchants? The case must be truly extraordinary, and implying a radically unsound social system, in which the distress will not be better relieved, if the market is left in the merchants' hands. *Exportation* of food, it seems, ought at such times to be forbidden: so far seems right.

A severe test of this principle was offered a few years back, when the potato crop had failed in Ireland, and the harvest was bad, both in England and in nearly all Europe. About eleven millions sterling was sent from Great Britain as a charitable gift to Ireland. To such a gift from a richer to a poorer country, Political Economy can no more *object* than to any act of charity from a richer to a poorer individual. Our science indeed easily predicted that it would be extremely hard to secure that a large part of the grant should not be grasped by those who were in no very pressing want; hard also to hinder the poor who received it from depending thenceforward on public relief. But these topics I now pass by. I do not now ask, Was it right for England to give *money* to the Irish? but, Was it best that, Government either take under its own controul the existing stores of food, or act the merchant by

buying fresh supplies from abroad and selling or distributing them by its own officers? Now let us not forget that there *are* political conditions, in which an overruling despotism has so supplanted individual energy that the Government ought to have public granaries: no doubt. But the mercantile energy of such a government is feebleness, compared to that of a people free to hold and use property; and in our own recent experience the very moderate interference of our Government did harm, I believe, by damping mercantile zeal. Namely, the Queen's ships were employed to bring stores of food to various parts of Ireland: but as no merchant, who has to pay for his ship and sailors, *can compete in price* with a trader who does not pay for these things, the merchants were at once paralyzed. Where a Queen's ship carried food, no one else could afford to carry it; hence, unless the Government vessels had been so abundant as more than to supply the whole mercantile navy which they superseded, such interference really diminished the actual importations of food.

When our Government resolved on founding a Colony on the river Niger and sent up merchandize in the Queen's ships, our previous trade up the river, which had been growing steadily, stopped short. Eminently Mr. Jameson withdrew his steamers. Not until the Government colony had been ruined, did the merchants' trade come back.

It is easier to cavil against the mode by which food distributes itself in trade, than practically to improve it. I call it "cavilling," when people reproach Political Economy with existing distress, and say: "See! the higgling of the market does *not* send food to the right mouths." Nobody pretends that Free Trade or Competition or anything that the wisest Economist or Statesman can suggest, will remove all human evils. It will neither turn Famine into Plenty, nor Slavery into Freedom: nor can it neutralize personal Vice or Imprudence, nor the various calamities of life, nor unjust Landed Tenure. To prevent Misery, *all* parts of the Social System must be in perfection, and not the Market only. Our question however is, whether Freedom of Trade, with the Competition essential to it, does, *on the whole* and *to the majority*, economize food and promote its adequate production and desirable diffusion, *better than any arbitrary interference* with private property. In fact, whatever dishonest outcries may be made by one class of persons, whatever the exaggerated fancies of another class, and whatever the real injustices of our social state, our nation suffers far more from Care and Fear of want than from want itself. Not free trade, but an artificial cramping of it, has

often half starved our working men. If in very bad years general distress be still endured, be it remembered that whole tribes of savages sometimes die of sheer starvation, or are dispersed and wholly lost by its violence: and in the ruder times of Commerce, famines are immeasurably more severe than any ever now experienced. But man's chief sufferings are mental. The physical pain of starvation is far less than that of hundreds of diseases by which men die without exciting public horror: and a savage bears to perish by want of food with a quiet apathy unknown to civilized men. We must not allow ourselves to be deluded into the belief that the difficulty of avoiding this grievous result has increased, because we are so much *more* shocked at its occurrence when it does occur. The reason we are shocked, is, because we never believe it was *unavoidable;* and this is because both the supply and the distribution of food have wonderfully improved, with the increasing security of private property and steadiness of traffic. Shame to reveal one's destitution often defeats the earnest zeal of the public and of officials.

I have thus shown how Competition usefully raises the price of food, when it is desirable to check consumption and give a bonus to importation. I must add, that when the merchants err in their calculations (as all men must sometimes err), they are punished so severely for it, that it is far safer for the community to trust *their* tact and good sense, than that of Government officers *who cannot lose by their own blunders.* If in a Socialistic Community men called Directors were elected as Governors, these would be just as liable to blunder as are our own Queen's servants. But private merchants, when they blunder, punish themselves. If a merchant improperly refuses to sell, because he over-estimates the scarcity, and expects a still higher price, the price necessarily balks him and he sells for less than he might have got: and the larger the number that commit this error, the severer the loss to them; for the needlessly high price to which they strain up the market, checks consumption more than is needed (or turns it on to some *other* article of food which they do not hold), so that an unexpected plenty is soon manifested, which makes the prices drop suddenly, perhaps to the ruin of many of them.

How does Competition act on Wages, on Profit and on Interest? Practically in the United Kingdom the mass of our nation lives on Wages: this I treat as a fact. I think it is an evil state of things; but *it is not caused by Competition:* and Competition is only a necessary result of Private Property and Freedom.

Equal freedom implies a right of the Workmen to combine

against Capitalists in refusing a wage, as of Capitalists to refuse raising it. The right may on either side be ill-used: but from the necessarily greater ignorance of the workmen what price is possible to the employer, they are the most liable to make demands at a wrong time, with embittering consequences and with vast loss to themselves. Moreover in the proverb, everywhere known, which the English express by

"Two of a trade can never agree,"

our workmen are apt to overlook how inevitable is the rivalry of one capitalist with another, and that nothing so welds capitalists into Union as the combination of workmen. Moreover the chief bitterness of feeling and barbarity of revenge is always against such workmen as refuse to join in a strike. This fact eminently displays the wrongheadedness to which they are liable. Of course our Science must presume that on each side the combatants act lawfully. But even so, to strike because they know that a master has accepted a contract and will incur a great forfeit if he does not fulfil it, peculiarly pours venom into these acts, and is sure to damage most the weaker party. When capitalists despair of tranquil relations with their workmen, they have the resource of retiring from business and living on a more modest income, and it is just the most amiable masters who will take this alternative.

It is a strange absurdity to treat all lowering of wages as injustice. When prices depend on a foreign market, employers may easily have no choice between closing their works and lowering their workmen's wages. If a firm have 1,000 workmen, one shilling a week for fifty weeks, means £2 10s. *per man*, or £2,500 in the year. To save that sum might save closing of the works; while to close, would send 1,000 workmen adrift on a weak market. As another test, imagine a host of starving men landed suddenly on our coasts. Such things may happen, not merely by hostile invasion, but by flight from despotism. We have then a choice of several lines of conduct: (1) *If* we have Capital lying idle, we may use it to set them to work. (2) Perhaps by retrenching Enjoyments and Waste we may scrape together, sometimes, sufficient Capital. If neither method avails; then (3) We may let them starve; but starving men become dangerous, and no one will seriously recommend the third method. (4) Nothing remains but to let them share in the Capital which we previously were spending on our own workmen.

But while this implies a lowering of wages, it is better to employ the foreigners than to feed them in idleness, which is

demoralizing to them and harder to sustain. Nor only so, but it is better for the old laborers that the strangers add to the wealth of those who feed them; for whatever increases Capital aids towards a possible recovery of a higher wage. Any attempt to retrench personal expense, however good from one side, is bad from another; for it *disappoints* the caterers to the enjoyments of the rich, and causes loss in many trades if the change is great and sudden. That the new hands should *compete* with the old (if they are competent) is better for all, than that they should be fed *gratis*. To have a million persons landed on our coast would be a great embarrassment, and must (for a time) cause many of us to be worse fed; but if it would be a benevolent thing for the mass of the eaters to lessen their food and comforts in order to succour the strangers, then the principle of Competition acts beneficently in bringing about precisely that result. The depression of Wages which the laborer then has to bear, is a sharing of the *advantages conferred by Capital*, between him and the new comers. And the only relief for the laborer (unless his rivals are to be killed or banished) lies in an increase of Capital, which alone gives power to hire.

Sometimes this seems possible. The Irish Immigrants into America are often feared as disorderly citizens, but they are valued as laborers. They work at ruder and more slavish toil than native Americans like, and for lower wages. In consequence, many employers of labor who would else have used up property in immediate enjoyment, because the high native wages absorbed all profit, *save more and consume less;* thus producing a new capital which they can use profitably on the Irish laborer. When this happens, he takes nothing from the native workmen, and quickly adds to the capital of the country, though they cripple the trades which aid immediate consumption.

Perhaps the case of Irish harvest-men in many of our counties is not dissimilar. A very sudden, large, unprecedented influx, no doubt, would have been distressing to all parties; but growing gradually so that it could be counted on, it enabled farmers to undertake cultivation which else might have been very hazardous or impracticable; namely, if the crops were damaged or lost from want of hands to gather in the harvest speedily, while fine weather lasted. Indeed it is probable enough that, after the recent enormous emigration from Ireland, our northern farmers may find serious embarrassment from the loss of the Irish; and unless some equally cheap labor be discovered, or science step in to help, the English peasant might find himself the worse off from a diminished cultivation.

And this leads me to remark that it is as absurd in principle to object to the influx of Irish laborers, as, to the introduction of new laboring cattle. If hitherto the plough were dragged by the toil of men, a farmer who trained oxen to the plough would incur the spite of the ignorant. Yet to grudge food to one who is a frugal eater and a most efficient producer of food, whether to an ox or an Irishman, is surely a mistake. The really formidable thing would be the importing 100,000 cavalry horses and setting 100,000 young peasants to ride on them. These men and horses eating much and *producing nothing* would tend to bring famine on the land; but not the economic Irishman who earns by hard work his moderate fare.

Hitherto, I have supposed some sudden increase in the number of laborers. But imagine a counter-incident,—a sudden decrease of the capital of a nation, as when an enemy has wasted the land, or its despotic ruler has imposed a vast universal war tax. If a law then forbade the rate of wages to be lowered, either one part of the wage-supported population must starve, or all must have *half-work* and be idle half their time. No better result than the latter is possible from such a law; for, employers *cannot* spend on labourers more than they have got.—But this forced idleness would be a mischief alike to employers and ultimately to the laborers. To the employers, because the cheapness of labor which the Competition of laborers in such a position would naturally bring about would be the best aid first to the impoverished capitalist: next to the laborers, because a rapid increase of capital, in order to replace what has been destroyed, is their only hope of recovery. Thus here also the Competition is good, the temporary lowering of the Wages is good for all parties, and to forbid it does nothing but mischief. For, the laborers will of themselves abate Competition, when the wages are near the limit at which a man cannot feed himself enough to keep up his full strength.

In regard to the *rate* of Wages, Custom has great influence. In counties where it has been customary to lower them considerably when bread is cheap and raise them a little when bread is dear, the peasants acquiesce in this with wonderful cheerfulness, though it is always to their disadvantage, and *is treating them like slaves or cattle.* On the other hand, where the workmen are accustomed to combine and know their own strength, employers rarely and timidly propose to lower the customary *rate* of wages; hence in times of general depression the workman is apt to be only *half employed*, and thus earns less, though the rate may be

the same. And this, as I have just said, is worse, both for his employers and for himself, than an elastic rate which rapidly adjusts itself to the state of the market. Loud as is the outcry in many quarters against "grasping capitalists," the ostensible facts generally seem to me to denote that it is the workmen who are unreasonable. (Observe, I am not saying that the men are not in an undesirable position: *I think they are:* and I strongly deprecate the hand-and-mouth system.) But I was going to say,—if a London journal finds its circulation to be decaying, and its attempts to arrest this alarming symptom fail, it perhaps at last proposes to the printers to work for lower wages. But such a proposal is met by a burst of indignation. The printers write letters of complaint in those newspapers which welcome all attacks on Capitalists. Some one computes how much a year is to be screwed out of the printers' wages, and expresses his extreme disgust that any firm that desires to be thought respectable should thus invade the earnings of honest workmen.

What more could men say, if the Capitalist had entered into a contract to pay them the old rate of wages *for ever?* In general, an Employer desires LONG CONTRACTS: but this is just what the Trade-Unions of Workmen refuse and forbid. And what means have they of knowing that he is not forced to choose between lowering their wages and closing his works entirely? If they are so indignant at his proposing a lower wage, what will they say to their being entirely dismissed in mass? *If that will be no hardship, they have their remedy;* accept that alternative now, and be contented. Yet those of them who do thus refuse work, are only the louder in clamour against the *injustice* of a master for not continuing to employ them at a rate of payment, which (for anything they can know) may be to him a positive and ruinous loss. Worse still is their violent feeling against those workmen who understand that if wages are sometimes *to rise*, they must sometimes *fall.*

A few words on Profits and Interest. The Competition of Capitalists depresses Profits far more actively than Competition can ever depress Wages; for, the Competition of Capital against Capital has *no limit and no scruples.* No one likes to pay Wages so small as apparently are insufficient to sustain healthy life: but as to Profits,—whether they shall be 20 per cent. or 1 per cent. there is no delicacy at all. The rate is always beaten down without mercy to whatever the market may suggest; and when Profits are very low, Interest on money sinks lower still.

What then happens? That may depend on *moral* causes,

which makes the case somewhat complex. To clear it, let us refer to England, and to our greatest manufacture, that of *Cotton*, and imagine the case of a long Established House, which has been liberal to its workmen and popular with them.

Perhaps it has spent largely on improving the dwellings of the workmen, and has created a new village near to its works at grave expense, preferring this form of liberality, chiefly because it does not pledge anything in the future; also because sad experiences had shown that the first and most certain result of a higher wage is an increase of drunkenness. But the Directors of the Trade Union see in the liberality of Capitalists the *fact* that they have money to spare; therefore they *command* a strike for higher wages. They have allured workmen to join them by making the Union a Benefit Club for sickness, and helpless Age. This enables them to expel recusants and confiscate their expected future aids. The strike is carried out, though a large body of workmen announce it to the master with tears in their eyes, saying that they are grateful to him and honor him, but to refuse to join the strike would ruin them. The master is deeply mortified, and resolves that he will put no more Capital into the Cotton trade; that in future he will less stint his own enjoyments, and if he invests any fresh gains, he will seek some *other* investment. If he spends more freely, he may benefit many other trades, but not the cotton trade; then since such expenditure is not reproductive he does not get *richer* on the same scale as before. Other masters are so discouraged at the losses caused by the strike, whether from the stoppage of work or from higher wages, that they also lessen the amount of capital employed on Cotton, pay off their borrowed capital, and hope for a time when they may sell their machinery and withdraw. *The general striving is, to lessen Capital in the Cotton Trade, when Profit has largely sunk.* If all rich men get a taste for spending, this is contagious on others less rich: thus Capital ceases to increase so fast, or may even diminish: or if it merely avoided Cotton, the Cotton-workers would before long find that the increase of wages which they had extorted had been dearly bought.

For a moment fix your minds on the small computation just now placed before you. For a single workman how small is the increase of wage *by one shilling a week;* or say a cup of beer every day. Yet if a firm have one thousand workmen, which is not very rare, this trumpery shilling a week costs the masters £2500. Thus any rise which could seriously benefit the workman soon becomes unendurable to the Capitalists. Fanatical men will cry,

"So much the better" (I say this from personal knowledge). "*Capital* (they say) *is our great enemy.*" Argument is thrown away on such minds.

The Directors of a Trade Union are generally lifted above workers by their salary from the Union, and solid peace with the masters would tend to make them useless. *Their obvious interest is in War*, and they forbid long contracts and vehemently oppose the workmen's investing their savings in the master's firm.

To speak roughly, the gross returns of any trade being divided between Profits and Wages, whatever tends to lower Profits, tends (if other things be the same) to raise Wages, and conversely. Now abundance of Capital (if it be but used in the business), tends at once to raise Wages. If, however, it be accompanied by improved methods and increased efficiency of labor, these may sustain awhile the rate of Profits in spite of the increased wages. But since increased and cheaper production ere long lowers *Prices*, the Profits must ultimately fall. In fact the course of things for some time back with us has been exactly this in the manufacturing towns. The laborer gets a larger and larger share of the whole thing produced, which share is exchangeable for a larger and larger quantity of other things useful and necessary, with exceptions which I shall hereafter note.* Meanwhile the rate of Profits keeps falling every fifty years, and with it the rate of Interest; so that larger Capital becomes necessary to those who wish to live solely on Profits, and larger still to those who expect to live on Interest alone without the need of superintending. In this whole progress we surely see that the entire tendency is to the benefit of the workman. Capital has increased more rapidly than anything else; therefore Wages (in the neighbourhood of and in contact with the Capital) have risen, and Profits and Interest have fallen. If, notwithstanding this, large masses of our population are not the better off, the cause is not to be sought in these great laws of Economy which turn upon Competition, but in Moral, Political, and other Social evils or defects, on which I shall afterwards touch.

Hitherto I have spoken of Wage Earners, Employers and receivers of Interest as though Wages, Profits and Interest could not be received, all three or any two of them, by the same person, and as though no one could pass from one class to the other. Even if this were the case, the laws rising out of Competition

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* I peculiarly refer to Land, Food, Air and Water, which are apt to be dear among us. [Happily Food may now be omitted—1888.]

would be beneficial to the whole of each class. But in fact I hold it to be alike undesirable and unnecessary that a man's income should all be of one kind. Every very rich man thinks it an ordinary prudence to vest his fortune in different forms of value; to have it partly in Land, partly in Houses, partly in Government funds, partly in the shares of Companies. Now the same is universally applicable. In a healthy state every laborer ought to accumulate some property. Even the possession of a house of his own is a step of moment, and with a higher general morality and more goodwill, no country in Europe offers so great facilities as England for their blending and interfusing the elements of our National Economy. To such interfusion our Science clearly points; and in proportion as this result is attained, the ignorant outcry against Competition and Capital will die away.

[1875.]

I proceed to speak of Debts, concerning which many assumptions are made unawares. I go back to the beginning. The State which has to protect property, must define, What is Property. In an American native tribe, the chief accounts a slain deer the property of the slayer; our king William the Bastard was likely to hang the killer and claim the deer as his own. Conventional law has to settle to whom wild animals, alive or dead, belong. The same remark holds of all landed estates. One rule is wiser than another; yet each State must claim on its own area to prescribe its own law of tenure. Even as to Human Slavery the law is scarcely yet uniform; but not to wander from our topic, we may not assume that the English notion of *Debt*, as a form of property, is and was held everywhere alike.

It is with us usual to take for granted that it is a cardinal duty of the State to enforce for every creditor the recovery of his debts, and to take no account of the misery which such enforcement may inflict; not even when the debtor's inability to pay may have been occasioned by the deeds of the State. For illustration we may take a hard case, possible enough in India. Foreign adventurers conquer a large district, and claim rent of the cultivators, who previously had paid it *in kind*, that is, by a portion of the crop or animal products. But the new masters insist on payment in silver coin; and the peasants have no means of getting coin but by mortgaging the standing crop to a money-lender. The season of harvest is unpropitious: the peasant can but barely feed his family and has no surplus to pay his debt.

The creditor knows how merciless is the English law, in its zeal for justice, and sues his debtor in the English court, and after he has obtained a decision in his favour, strips the destitute man of his means of life, namely his bullock and his few instruments of agriculture. In a native law-court this would not be permitted; but English law looks simply at the creditor's *right*, and it is no duty of the judge to think of the debtor's misery, nor of the dangers to society from his despair, nor from what causes his inability to pay his debt arose.

This extreme case is surely sufficient to force on us the enquiry, whether the *mercilessness* of the English law is true *justice;* whether *all* Debts ought to be enforced, and mercy never to have a voice; or *what* Debts the State may refuse to enforce, at least in their full rigour; and what principles may seem to have been overlooked.

At once it will occur that no English Court will enforce Gambling Debts, which are called by those who incur them, "Debts of Honor." It is something, as a beginning of our problem, to know that our law will not help a creditor to recover a "Debt of Honor." By a curious juxtaposition, neither can the unpaid fee of a *Physician* be recovered by law; that is, the Guinea fee; but it is accounted a dignified *honorarium*, which must not be confounded with a tradesman's bill. On an opposite side, Parliament, meaning to degrade the traffic in Intoxicants, forbade recovery of money for drink swallowed at a liquor-bar. It has simply added ease to the process of extracting from a workman money strictly due to his wife, and not morally his own to spend. So grievously may the results of a law made *in our routine* disappoint the intentions of the legislators.

We all calculate a man's property by the general style of expense in which he seems to live, and (not to allude to Landed Estate, of which I must delay to speak) if he have no *visible* sources of income, and seems to spend three, four or five hundred a year, we infer that he holds shares in the Government *Debt*, or Shares or Debentures in Public Companies, whose Directors hold his money and are virtually his Debtors. A doctrine would seem to us monstrous, if it insisted that the State ought to defend his few valuables (silver plate and china, upholstery and books which are *visible*) and ought *not* to defend his far larger *invisible* property, which mainly consists in Debts. Nay, for one class of Debts we may claim a pre-eminent sacredness, which even rude nations understand, those of a Trustee or Custodian, and those of a Partner in trade. The barbarian legislator may perhaps claim that

the property shall be open to sight and touch, as the jewels and fine dresses of a woman; but as soon as he understands that the Debt is not a result of trade, but is a deposit of Trust, he recognizes it as sacred.

A sternly moral legislator,—say, a Lycurgus, who dreads private wealth as a pest, and abhors Usury, who sees in the lending of money *not* circulation of currency that facilitates industry, but solely a philanthropic aid to casual distress,—might well be severe on every creditor who expected public aid against a debtor, even for the bare recovery of the principal money lent, without the aggravation of Usury. He would probably regard nothing as "property" which is not visible and tangible. "If a thief stole a kettle or cow, let him restore the double, or work out an equivalent in forced labour; but if one man foolishly trusts another with a jewel or a coin without the pledge of an equivalent, why shall the State trouble itself to secure him from loss?"—I am not pleading for barbarian law, but am striving to fall back on first principles. We now know that the chief wealth of a country (next to its crops, of which I may not yet speak) is in its warehouses and quarries and mines and endless shops. It is still really in things visible and tangible that every rich man's wealth consists; but he cannot lay his hand on the articles, and say: "These are mine," much beyond what is seen in his own abode; but *a share* in the collective values is his Right, and its form is a series of Debts, registered in many Ledgers. Thus, with us, Debt is an *all-pervading* form of Property.

If any one with the heart of Rousseau desire to turn us back into Poverty and Barbarism, he will effect it as soon as he has persuaded the mass of strong men that the accepting of Interest on Money is immoral. This would reduce the Banker to an ancient Money-changer and Custodian. Trade would not retain a hundredth part of its present magnitude. Capital would be at one stroke reduced to a fractional remnant by the inability of Bankers to turn deposits to service. Hoarding would supplant the entrusting of our savings to Bankers. Many vast works would be closed, and wages would fall immensely. But to bring about this condemnation of Interets our working classes must first be so blindly fanatical as to believe that a pound due a year hence is *as valuable as* a pound in the hand. This will never be: yet the fatuous doctrine, unhappily, when preached by "educated men," leads numbers into the baneful heresy, that the richer classes by mean of Interest are vampires sucking the blood of the poorer, and sensibly nurses the elements of class hatred and frantic insurrection.

At what then am I driving? At two general conclusions, (1) *Debts* of pure legitimate *trade* must be maintained by the State as of first importance and as virtually sacred; but (2) *Debts of Honor* are not debts of trade, and ought not to be recognized by the law. I need not explain what every English court teaches, that when A gives the substantial equivalent to B for goods or money expected, B's debt to A is a trade debt,—supposing the trade to be lawful. Every cheque on a Banker is a note of the Banker's indebtedness; so is a Bill of Exchange of the firm on whom it is drawn. These constitute by far the largest part of our Currency. Our Gold coin is but a small fraction of it. To tamper with it, would be of deadly import. But side by side with this, I urge, what by most Englishmen will be thought new and strange, that if I have £100 or more to spare and no investment for it, and I of my own discretion choose to lend it to a man who has *no tangible property to mortgage*, his debt to me is *not* a debt of trade, but is a debt of honor, and ought *not* to be enforced by the law, but only by religion and by public opinion whenever the debtor is able to repay. Such (I am told) was the case with the Indian law, before we brought in our merciless idea of justice. If a needy peasant borrowed money in a time of distress and after the harvest was unable to pay (a fact, which neighbors could always attest), the money lender could not recover the loan by law proceedings; but whenever the debtor regained ability to pay, then the opinion of the neighbors enforced it on him. Yet even then, the creditor could not strip him of his agricultural implements or his bullock, much less could eject him from his land. The debt was a debt of Honor. As a case by no means parallel, suppose that I think a young man as clever and as prudent as he is active, and though he is without money, I lend him £300, and set him up in a little shop, I say, his debt to me is a debt of honor. Now suppose he is unfortunate; he has an accident and breaks a limb, or he falls sick;—he has promised me (let me suppose, in writing) payment of my £300, with interest at £4 per cent. He easily pays the interest for two years, and then I die, and he fails through sickness. My executor as Trustee for my family is then *bound to come on him* for £300 and no right to make abatement. Nay, he *may* (I fear) claim the bedding on which the debtor sleeps and whatever will bring a few more shillings towards the sum deficient. Is it a right state of law which accounts my loan to be *a transaction of trade?* I may have lent the money partly as a kindness, and partly in hope of a small advantage to myself; but I insist, that since he did not

pledge to me any equivalent, the law ought to interpret my act as *out of the course of Trade*, and rather as a deed of Charity. Therefore it is a Debt of Honor only. More turns on this than may at first appear. To make a good law of Bankruptcy has seemed almost impossible. Shops are too easily *stocked* by persons who have no money at all adequate, because the wholesale warehouses, anxious to diffuse their goods, are far too ready to accommodate needy aspirants to shopkeeping. In doing this, they sow the seed of Bankruptcy. If their loan were treated as a debt of honor only, they would not lend so easily; but rather would set up their own servant in such a shop of this or that town, and keep the goods under their own hands.

Concerning Shop Debts there are several things especial to be said. The shopman *does not intend to lend*, but to *sell:* either accident, or inability to decide off-hand what expense has been incurred for the work of under-agents, forbids an immediate statement. This delay is in many ways noxious, on more sides than one. But I may have occasion to return to this topic.

Bad Debts are a primary nuisance in every form of Trade. The Old Universities have long required Caution Money, partially with Prepayment, from their pupils: why should not every school do the same? Ought not Prepayment in all matters to be rather the rule, than the exception? Any move which tends to lessen Bankruptcy seems in the right direction. Of all bankruptcies, that of a bank is most widely disastrous; and this leads me on to a remark. New Banks in Joint Stock are bringing in the practice which to me seems novel, of paying interest to depositors, if the money is *not* to be "at call," but needs (perhaps) three months' notice for withdrawal. The practice is dangerous: for the Bank, instead of being remunerated for the custody of money (as a Furniture Warehouse is for care of goods) becomes a *loser*, if it do not earn higher interest than it pays on every such deposit. This position gives a premium on rash lending of money. If the Bank encounter severe loss, and be forced to make calls on its shareholders in order to reimburse its depositors, I think that the shareholders have a right to claim that no depositor who has received interest shall be at all repaid out of those new calls.

On one other dangerous species of Debt, I will now just touch, which gravely needs controul; which indeed nominally is controuled by Parliament, but not really. Parliament is so accustomed to our huge National Debt, of which I must afterwards treat, that it thinks very little of a Town mortgaging its

future taxes; and with a vast outlying Empire and overwhelming duties at home, it has no time and energy left to defend the poor ratepayers in our Municipalities from Perpetuity and Accumulation of Debt. In every town there is an active section of Builders, Contractors, perhaps Great Shops or Lodging House-keepers, ever anxious to spend public money. Of course Debt may be incurred very judiciously; but unless a severe limit of time is set by law, within which it must be paid off clear, the enticement of getting money easily leads to great infliction on after generations. Our American cousins have in these matters shown themselves far ahead of us in practical prudence.

LECTURE IV.

SECTION I.—LAWS OF PRICE.

Hitherto I have stated in general that Competition equalizes Price beneficially; but I must now go into fuller details on this very important subject.

There are two opposite and extreme positions between which all cases of Price must lie: they are, Fancy Prices and Trade Prices.—Fancy Prices are set by the Buyer, Trade Prices by the Seller; Fancy Prices have to do with things limited through quality, Trade Prices with those which can be increased indefinitely at pleasure. Fancy Prices are not spoken of except in regard to things needless: in the case of things necessary, when Deficiency forces up the prices, we call them rather Famine or Scarcity Prices.

Examples of Fancy Prices are in Opera Tickets, Fine Horses, and Diamonds. A Jenny Lind or a Catalani cannot be manufactured at pleasure, neither is it essential to any one to hear her sing. Hence it rests with the public to say how much they are willing to give to hear her. If she pleases their taste and they are rich, the price may run up to any height, for it cannot be reduced by competition. If she does not please, the cost of her education will never enable her to raise the price.—So too a Diamond or a Tulip or an Old Vellum MS. is sold, not for its cost, nor so as to cover average cost, but for whatever sum rich and tasteful customers can be induced to give.

The most striking instances of Trade Prices are found in things which people will have, whatever the price: for it might have been thought that the sellers could then get advantage. Yet if no increase of demand can sensibly increase the cost of supply, any unusually high profit would lead the sellers to desire to sell more. To effect this, each would a little lower the price while increasing the quantity; the oversupply would soon thwart their efforts, unless an increase of consumption followed. If this happened, they would be stimulated again to lower the price a little, in hope of selling a still greater quantity. Whether at last they gorged the market or whether not, the process of lowering the

price would be continued until the article was not more gainful to the sellers than other articles, but only just as much; which is what we mean by Trade Price.

The question now arises,—If an article can be produced in any amount required, is it possible that its permanent Trade Price should be either below or above the Cost of its production?

In reply, we seem at first able to say positively that "it cannot be permanently sold *below* its cost;" for surely the sellers would decline the sale, since, sooner or later, they would discover their loss. A closer examination shows that we have no adequate definition of what is *meant* by its Cost, which can justify this general proposition, unless it mean merely that "no one will permanently sell at a price *lower than it answers him* to sell at." Certainly he will not go on paying as much for it as he sells it for, and so losing his trouble. But short of this, it is impossible to define how cheap he may sell. A French prisoner of war may carve bone figures, and sell them for an inappreciable sum, as long as he gives nothing for the bone, or for his knife, or for the dye which stains them: but if he has to buy materials or tools, these form a limit to the cheapness of his sale. A man who has to feed himself must live somehow; but he need not live by one particular article: and where his odd scraps of time suffice for work, he may appreciate his labour at a mere trifle. Just so the Welsh girl sells the worsted stockings she has knitted, at almost any price that exceeds her actual expenses. Different workers appreciate their time and toil differently. So too when capital is needed; owing to the difficulty of finding investments, the man who counts on getting 7 or 10 per cent. for the bulk of his capital may use some of it to get 1 or 2 per cent. rather than leave his machinery idle; and this *might* recur every year, and be really permanent. Our proposition therefore is deceptive, in having less meaning than appears.

Again, when we ask whether the permanent price can ever exceed the cost of production, we encounter the same obscurity. For, the cost of production is different to different men. Those who have peculiar natural or artificial facilities may permanently get a price which gives them extraordinary gains; but if others, who try to rival them, produce at a greater cost, the price suffers only a partial fall.

Suppose a person to know a secret process for cheaply producing Lawyers' Parchment or Window Glass. Both things being almost necessary, and never so expensive as to be unattainable, price is not thought of by the buyer. The worst

manufacturer might be so discouraged by very low profits, as to leave off producing: consequently the best manufacturer might get a price permanently higher than that which would adequately remunerate *his* cost of production. Thus we may say that when the superior producers produce *too little* to satisfy the market, the Trade Price gravitates towards the *greatest cost of production.*

This is true in a fully-developed commercial system, where all the agents of production follow freely and rapidly their economic attractions; and is therefore regarded by the Ricardo school as a cardinal and universal theorem: but when I approach the subject of Rent, I shall have occasion to question the propriety of applying it.

But though the *permanent average* Trade Price turns principally on the cost of production, yet at each particular time, opposite forces in the Buyer and in the Seller combine to fix the Price. On the one side, *great desire and great ability* of the buyer tend to force the price up, but a belief that *he can get the article in some other market cheaper* tends to press it down. On the part of the seller, the price is sustained by *a belief that he can sell to advantage in some other market*,—by the fact that the article has *already cost him* such or such a sum,—and finally, by *his own desire to use it* for himself. Thus three forces on each side combine, and according to the nature of the thing, the one or the other force is superior.

Nor is this the whole complication; for the desire and the ability of the buyer, which are principal causes that aid to fix the price, themselves vary with the price. A lady enters a shop, intending to buy some ornament of dress, but finds it to be dearer than she thought. She does desire it, but not very much,—not at that price: she is able to purchase it, but is now made unwilling.—Or on the other hand, a poor woman wishes to buy some tea. If she could get it at 3d. an ounce she would be able to afford herself some; but as it is 6d. she is obliged to go without it. She is willing, but unable to buy.

You will thus see how essential it is, to have regard to the greater or less *necessity* of articles, and to *the expansiveness of desire*, as a principal clue to their variations of price. Food is of all marketable things the most necessary; hence its price runs up most rapidly of all things, on any small deficiency or even fear of one. On the other hand, in a really well fed people there is scarcely any increase of desire for it caused by an increased plenty: hence if no foreign market be open, a considerable fall in price may be caused by a small average excess. For, all food is at least

expensive to keep, besides loss of interest or profits on its estimated value; and many kinds cannot be kept at all.

To illustrate this, suppose corn to be deficient in the English market by only 5 per cent. of the average quantity: its price *might* nevertheless, rise 20 per cent. above the average; and the richer the people, the higher it will rise. For every one tries to get as much as before, though all cannot; hence the price keeps rising, until consumption is checked by it, or until the high price attracts *fresh* supplies which prevent it rising higher still, or possibly make it fall somewhat. Contrariwise, in 1835 and 1836, when corn was excessive in England, owing to four good harvests together, when it could not be exported for sale on the Continent, because our corn laws artificially kept our prices greatly above the continental average, a moderate excess (say that of 10 per cent.) may have made the price fall 25 per cent. below the average. As to the expense of keeping food, you will remember that corn is apt to get mouldy or eaten by vermin; and that the expense of warehousing is not inconsiderable. Say that these two together are a loss of 5 per cent.: then if a merchant would count it a loss of another 5 per cent. to have his property locked away from him for a year, he would as willingly sell the corn this day for £100, as this day year for £110.— Next as to butchers' meat: it will not keep many days, and the live cattle are very expensive in food and tending; hence an excess of cattle above the average would depress the price still more deeply, unless it were possible to salt the meat for future use or for a distant market. In Australia they boil up whole sheep for tallow. In the prairies of America, bisons are killed by hundreds for their tongues only, and the carcase is left to putrefy on the soil. These are extreme cases, and morally rather painful. The latter seems an abuse of man's power over brute life, and an abuse which will in the end be impoverishing. But they illustrate how worthless food becomes, when decidedly in excess.

In the Anti-Corn Law contest the principle was first developed by Colonel Torrens and Colonel Perronet Thompson simultaneously, that if the more necessary food were cheapened, it tended at once to enhance the price of the more luxurious food. Colonel Torrens distinguished between agricultural necessaries and agricultural luxuries, by the latter understanding especially garden vegetables, milk and cream, fresh butter, fresh eggs, and other things in which the foreigner cannot compete with the native producer. So small a fraction of our population at present enjoys these things, that the *desire* of the purchasers may be called

something infinite; it is only their poverty which checks their demand. Hence if, by the cheapening of bread and meat, they have money to spare, it seems inevitable that the competition for these luxuries must raise the price, at least until the activity of the farmers should have vastly increased the supply of such things.

But in fact we still only touch an isolated case of a great and fruitful principle, which is expressed by Mr. Banfield nearly as follows: If human wants be arranged in series, beginning from the most urgent and proceeding to the less, *the satisfaction of every lower want in the scale adds intensity to some higher want.* Let us say that Food and Rags are more urgently needed than decent Clothes, such Clothes than Useful Furniture, and such Furniture than Pictures. Then, so long as Food is deficient, men eagerly part with everything but Rags to buy it. In 1842 in Manchester, it was stated that no shops but the Rag shops could keep up their prices; yet that was a time of scarcity only, not famine. In years when food is cheap, the manufacturers of clothes know well that they will have brisk demand and good prices. For, all the nation, spending less on food, can afford to spend more on decent clothes.—Again, the great improvements in machinery have made clothes so cheap, that a larger demand by far falls on Furniture than otherwise could have been: and whenever Food, Clothes, or Furniture shall all have become so cheap that the mass of the nation has much to spare after providing for these, a new value will be given to some higher luxury, whether Pictures or Books, unless the increased facility of producing them contributes to keep the price down.

You will now see (if indeed not before) the wisdom of that famous argument of the self-styled "Farmers' Friends," that it was requisite to keep up the price of corn artificially, in order to sustain the price of other things. Forsooth, if corn became cheap, then cotton and silk, and timber, and bricks and mortar, and iron, and leather, and woollen shawls, and crockery and glass, and hardware, and paper and books, and everything else, would become equally cheap, and all the nation would be ruined! Thus, according to these gentlemen, you will impoverish a nation by sending it plenty, but you will enrich it by semi-starvation.

The old Mercantile Theory—which taught that gold and silver were the only wealth, and that the more of them we bought and the less we parted with, the better off the country was—contained nothing more monstrous than this wild idea, which still deludes many men who think themselves educated. Did they never see a family in distress for food? or could not their imagination

picture, how a mother, in grief at her children's cries, sells one thing after another, proceeds to pawn any little trinket which she has cherished as a remembrance of love, and finally parts with her bed and sleeps on straw? Conceive a whole town in this distress, think how full will be the pawnbrokers' shops, how many eager to part with property, how few anxious to buy what is needless; and you will see that, in famine, all property except that of food suffers immense depreciation. Accordingly, in smaller scarcity, all other property but food suffers *some* depreciation. But plenty of food makes everything else more valuable; and plenty of every kind of common comforts tends to make all luxuries more valuable.

We may extend this series upwards to intellectual things generally, as well as to the Fine Arts. The lower wants of man are pressing, but they are finite: the higher wants are not at all pressing, but they are infinite. Hereby it is provided that when the stimulus of hunger and cold is removed, man should not stagnate in inaction. When physical comforts have been abundantly supplied, men (according to the stage of intellectual development) devote vast sums to external religious objects, as to temple-building, or the fine arts in general, or to private and public education. In a very wealthy people the gains of a butcher or baker are not much greater than in a comparatively poor people; but those of a successful painter, poet, singer, writer, or literary teacher, are far greater. Thus the laws of Economy provide for the fostering of mind, as soon as the body is satiated; and the mind is insatiable. But the effects of scarcity are felt at once, and with peculiar severity, by the trades which minister to needless luxury that has not grown into habit.

SECTION II.—TENDENCY TO EQUALIZATION OF REWARD FOR EQUAL SERVICE.

Where law makes no impediments to free interchange, there is a tendency towards *uniformity of prices* of the same articles, if we pay attention to the causes of diversity already named. In the same village, the milk is sold everywhere at the same price; but in a distant town it sells for more, since the sellers have to repay themselves for carriage, waste, risks of all sorts, and profit for their capital.—The wages also, in the same village for the same sort of work, are the same at the same time; but twenty miles off, in the neighbourhood of a town, they may be made

higher, by the demand for men in various profitable occupations. The *tendency* of this is, to draw off the country people to the town, and it might be thought that an equalization of wages would at length result; but this is not necessary. People are justly unwilling to leave their native place, and their connections, for mere wages: some are thus drawn away, but it is only in the immediate vicinity of towns that the attraction is strong enough to raise the country wages generally to the town average. It has been ingeniously observed, that "Prices seek their level" in the same sense as Water does, though the head of the Nile is two miles higher than the mouth.

Wages vary also with the severity of work, with its disagreeableness, and with the rarity of the skill required. Pleasant trades are worse paid, because of the numbers who flock in: so are honourable trades. Men serve as justices of the peace and guardians of the poor for honour alone, and often exceedingly covet the labor of being members of Parliament. They also become cavalry officers for a small income, and serve as clergymen for a butler's wages. On the contrary, if a trade is made infamous, competition is narrowed and wages or profits rise;—a fact, which gives a vexatious vitality to all trades of doubtful moral right. But perhaps it is desirable, that if the immorality is not so clear as to justify legal prohibitions and penalties, it should be hard or impossible to extirpate a trade by public odium. Had it been otherwise, Usury would have been put down, and both Banking and all Interest of money would have been killed in the bud. An ignorant public hates philosophic studies.

Interest appears more rapidly and certainly to tend to equalization in the same political community, than either Profit or Wages. Its rate is notorious, and the thing lent is always the same; and the facility of transference from place to place is so great as to make distance count for nothing. At the extreme north of Scotland a landed proprietor might borrow money in London on the very same terms as if he had estates of equal value in London itself. Altogether, in modern times, Capital has such power of removal as to make it dangerous to scare it away, especially from colonies and newly-forming communities. I believe it was no fraudulent pretence, but a truth, that several of the States of North America did not dare to impose taxes adequate to pay the interest of the debt they had unwisely incurred, because the taxes would have caused extensive emigration of capital, as well as hindered fresh introduction of it.

Some have on this ground said, that the Interest of Money (after deducting what must be called allowance for risk—that is, the portion of it which may be called Insurance), must be equal all over the civilized world. It does not appear to me that this is certain; and I must go a little more minutely into it.—Interest, being paid out of Profits, is likely to rise or sink with Profits, if all besides is unchanged. Profits rise and sink with the efficiency of labour, if wages remain the same. The efficiency of labour increases with the excellence of soil and climate, and with the intelligence of man. Suppose, (from whatever cause,—whether low wages, fine climate, or skilful culture and delicate taste) the average Profits in France to be higher than in England. It does not follow that the *accumulation* of Capital is more rapid there; for, the people may have more taste for immediate enjoyment than for saving; and gaining easily, they may spend easily. It therefore *might* so be, that higher Profits than in England co-existed with permanently smaller capital. If so, undoubtedly Interest would be higher in France than in England.—Now let us consider, would this equalize itself by the rush of Capital out of England into France? I cannot convince myself of this. Some Englishmen (let us admit) would invest money in French works; and, what amounts to the same, some would buy into the French government-securities, and thereby set French capital free. But foreigners have much timidity in these operations. The possibility of war with France cannot be quite forgotten. The *risks* of dealing with Frenchmen are in many ways greater for an Englishman than for a Frenchman, especially if the Englishman is resident in his own country. In many ways Capital would be far slower in rushing from England to France than from Scotland to England, on the mere ground of differences in government and language. Hence I think it possible that higher Interest might be permanently received by Frenchmen in France than by Englishmen in England, that such a difference (if observed) ought not to be necessarily ascribed to intrinsic risk which balanced the *Frenchman's* gains. Especially is such a difference possible, if, from whatever causes the wages of piecework equally well executed were permanently lower in France.—Or again, put India for France; and although India and Britain are under one political supremacy, the impediments to the flow of English Capital into India are so great, that I can see no impossibility in a much higher standard of Profits and Interest in India than in Britain.

SECTION III.—GENERAL DEDUCTIONS.

Let me now recapitulate. Wages rise with the Capital in the market, but sink with the number of Workmen seeking employment. So long as Prices continue the same, Profits rise when Wages sink, and conversely; but with the rise of Profits Prices are apt to drop, through the Competition of Capitalists. Wages being fixed, Profits rise with the Efficiency of work,—which depends on fine climate and soil, skill, and machinery. Profits being fixed, Interest rises with the scarcity of Capital; or Capital being given, Interest rises with the rise of Profits. Lastly, Profits being fixed, the rate at which Capital accumulates depends on the disposition of the people to save; but this disposition is likely to be increased by the security of private property, and by a high range of Profit. Where property is unsafe, accumulation takes the form of hoarding, so that the Capital comes very slowly and incompletely into the market, and the disposition, alike to save and to produce, is impaired.

Our own condition, through the operation of Banks, is directly the opposite. Not only is the disposition to save very general, because all can calculate on being rewarded for their prudence by secure possession; but what is saved is not hoarded away; it is entrusted to a Banker, as a safer keeper of it. Thus small sums of £50 or £100 and upwards, which could not by themselves be invested in any business,—and all the earnings of professional men, who often do not know in what to invest,—trickle from all quarters of the country into the Banks, where they collectively swell into great amounts. The Banker lends a considerable fraction of the whole; so that the serviceable Capital of the nation is greatly increased. *The immediate benefit is to the workers;* a secondary result is to the Capitalist in his profits; and a third is *to the workers again* from the increased rate at which Capital accumulates.

Thus at every time there are at work *four* primitive Forces, whose mutual action determines other things: 1. The power of producing, varying with physical geography, with skill and with moral qualities: 2. The number of workmen: 3. The existing accumulation of Capital: 4. The disposition to save more Capital. The disposition to consume is regarded as infinite, though it is restricted always by necessity and generally by prudence. That there can be a Universal Glut, has been vehemently asserted and vehemently denied. Perhaps the controversy is purely verbal. If by "Universal" be meant *all the principal* existing trades, it

is obvious that there may be a glut in them all, and thousands may starve in the midst of abundance. To test this assertion, suppose a community shut up into an island which has no commerce with the outer world. Suppose it to have three trades only, those which supply Food, Clothes and Sheltering Buildings; that the workmen work for wages, under Capitalists to whom their productions belong. Evidently a higher universal efficiency might immensely increase the possible produce, and lead to a considerable dismissal of workmen; who being out of work, might starve, though each trade still produced more than it could sell. Such a state would naturally be called A Universal Glut. Nor need we confine our hypothesis to a secluded island. It is quite imaginable, that in a nation of Chinese intelligence, where there is great routine-experience, traditional skill and devoted industry, but an utter want of original invention, the number of trades should not increase, when through increased efficiency they all over-produced. If we suppose all Englishmen to work at one of twenty occupations, we might undoubtedly have a glut in *all the existing trades*. New trades would be needed to use the energies of the unemployed workmen. But as soon as higher desires arose, there would be no propriety in calling it a universal glut, when we had no elegances, no commodious and swift conveyances, no books, no fine arts, no intellectual culture. Practically, every glut must be partial; and generally a glut in any one trade does not imply that more is produced than the nation *desires*, but *more than purchasers will or can buy at the prices*. The glut in one thing often does but indicate a deficiency in something else. There seems to be too much clothing in the market, because there is too little bread and meat: there seems to be too many elegant articles, because the drapers and tailors do not find rich customers; and so on.

SECTION IV.—ON FIXED AND CIRCULATING CAPITAL.

From what has been said, you will see that it is of first-rate importance to every nation to possess a very large Capital in proportion to its numbers; and this, whatever may be the form in which its workmen are paid. If, for instance, a farmer, with his wife, sons, and daughters, tills his own ground, so as to pay himself his own wages as well as profits, the efficiency of his industry eminently depends on his Capital. If he has a store of cattle-food, he can keep laboring cattle and rear young stock,—he can also from other stores purchase the best tools,—while if *totally* without capital he would relapse into the state of a savage.

But eminently in a country where a large fraction of the people lives by wages ALONE *(a most undesirable state of things)*, the abundance of Capital is matter of primary interest to the laborer.

Consider what would be the effect of a dreadful earthquake which should overthrow our manufacturing establishments, ingulf our warehouses, and reduce the employers of labor to comparative poverty. The workmen, by hundreds of thousands, would be left unemployed, and, unless fed at the public charge, must ere long either perish or live by plunder. Whether fed by public taxes or by plunder, either process would in a few months enormously aggravate the general impoverishment, and what dreadful solution such a difficulty would receive, no one can conjecture.—If, instead of a sudden earthquake, the result were gradually brought about by wars and taxation, the convulsion would less affect the imagination, but would be as fatal in the result. Heavy taxes laid on the industrious rich, and increasing from time to time so as never to be compensated by the shiftings of the market, seem peculiarly apt to drive Capital out of a country. Happily, however, for ill-governed nations, Capital often *ties itself to the soil*, and peculiarly so in the whole modern development of industry: and this leads me to the distinction between fixed and circulating Capital.

In nearly every trade which is energetically pursued, the Capitalist is forced to sink one portion of his funds in an immovable form, retaining another portion to pay the ordinary wages of his men. Thus a scientific farmer in some cases lays down drains, excavates a tank, improves a road (for whether he does this himself, or his landlord does it, is not just now to the purpose to ask); he, at any rate, spends largely on manuring and weeding, in the expectation of recovering his money only after some years. For so long time his capital is fixed in the soil. Buildings of every kind that are used for production, are fixed capital; in which we must include harbours, docks, bridges, roads, stations on railroads, and *whatever is built to yield an income*, —in strictness, therefore, even dwelling-houses, provided that they are not built for the enjoyment of the owner: but the kind of fixed capital which is of special value to the laborers, is that which can only yield an income by the application of their labor. Such is the case with all MACHINERY, against which the ignorant malice of workmen was once directed among us; but this evil prejudice is happily fast dying out. In every economical light from which it can be viewed, machinery is *ultimately* the greatest friend of the poor; though transitionally it often distresses workmen by displacing them.

The *first* point in machinery to which I am directing your notice, is, its making the owner dependent on workmen; and so to a great extent securing them against the emigration of Capital. Circulating Capital is the food of him who labors for hire; and it is as undesirable that his life should depend on the Capitalists, *singly or collectively*, as that the lives of the community at large should be at the mercy of the holders of food. I noticed in my first lecture, that the perishable nature of food is sufficient to secure that its sellers shall be as eager to sell, as buyers can be to buy; so that neither bakers and butchers nor cornfactors and graziers can starve us into their own terms. Similarly, all machinery is a bond given by the Capitalist to the workmen, which secures that *its owner shall be as anxious for their work, as they for his pay.* It secures that he will do his best to retain adequate floating capital to defray their wages and the expense of needful materials; nor, until he has found a successor to take his responsibilities, can he emigrate with his movable wealth at any smaller sacrifice than that of losing his whole fixed capital. Moreover, the rivalry of Capitalist against Capitalist* for workmen in times of prosperity is sharp, and is as cardinal a fact as that of workmen. It is thus not generally true (though often asserted), that workmen are always unable to make an equal bargain with their masters. The master who is forced to keep his machinery inactive, incurs not only a loss of its whole profit, but the damage ensuing from its disuse: hence Avarice, if he be avaricious, vehemently prompts some speedy arrangement with his men.

Secondly, machinery enormously increases the efficiency of labor; and as long as it is singularly good, so increases the total receipts of the business as to enable the owner to pay wages above the average, while retaining good profits. The zeal of the Capitalist to enlarge his sale makes him anxious to retain good workmen. Therefore, while his increased prosperity lasts, he seldom gets the whole benefit of it; but it is shared more or less, with the workmen.

Thirdly, when the same machinery has become general, the competition of sellers who have high profits and great producing power rapidly lowers the price of their goods; but this seldom leads to a lowering of the wages once obtained, because Custom has much power, and employers fear ill-will, especially if they be wealthy and their fixed capital valuable. Some *lowering* of Profits would rather be submitted to, and I believe that, as a fact, this is

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* "Two of a trade can never agree" applies all round.

the general result, and *not* a fall in the rate of wages, if one or other becomes inevitable. The effort to avoid the lowering of Profits is a constant stimulus to new inventions and improved methods.—Meanwhile the depressed prices tend to benefit every poor man as a consumer.

And here I must remark on the great mistake of supposing that the chief result of our vast organizations is to minister to the luxury of the few: on the contrary, it is to advance the comforts of the millions. The *Food*, indeed, which the poor consume is not cheaper in price in England than elsewhere,—measure the price as you will; no wonder: for in producing food, machinery has not greatly helped us as yet, and our soils fertile of wheat are not very extensive. But whatever *else* a laboring man needs for comfort is peculiarly cheap in England. Where else can his clothes, blankets, tools, furniture, be got so cheap? Even all the materials of a house are remarkably low-priced; and if a house itself is dear, that depends either on the ground (of which I shall afterwards speak), or *on the high wages of bricklayers, carpenters, and other workmen*, also on the increased price of bricks; and on the superior style of execution which we regard as necessary. Bad finance-laws (the remains of a half-exploded system of taxation) still inflict on rich and poor alike various isolated evils; but for this no one can blame machinery. On the contrary, it is machinery that makes the useful metals and useful cloth so cheap, and the machines called Ships bring in from all parts a prodigious abundance of cheap luxuries. A rich man in London pays half as much again for a *carriage* as in Vienna, or for a *watch* as in Geneva; the enhanced London price being mainly caused (I believe) by the high wages of workmen. But the substantial comforts of the poor are peculiarly cheap among us, while the wages *in the neighbourhood of machinery* are higher than in any other part of Europe (1851).

If therefore our working classes suffer any widespread or permanent misery, it must arise from some of the following causes: **1**, too many of them live on the same area, so as not to have good air or water, and pay too much for the earth on which they rest; or, 2, they stick to some trade which is overstocked, as to tailoring and milliners' work or handloom-weaving. The last trade ought scarcely to exist at all, and for the other two we have to wish that they may be superseded by machinery.—But, 3, much of the distress is perhaps caused by neglect of industrial education, so that the indigent are not desirable workers to any one. Or 4, the cause is moral; want of common prudence, a

wasteful spending of money, especially on tobacco and intoxicating drinks, want of right principle, or want of willingness to work.—Thus the direct remedies are either Municipal or Personal and Moral; but to that topic I shall afterwards return.

Our Economists have, in several directions, great defects; but the outcry against them as Mammon-Worshippers because they highly appreciate the importance of Capital, seems to me wholly unjust. *Why* do they value Capital? because it feeds the hungry, and sustains the weak. *Why* do they deprecate all needless interference with private trade? because, by tending to paralyze industry, it starves the working men.—To call this Mammon-Worship is to nickname white black. Certain Economists have, in my opinion, shown far too great *complacency in the actual results* of our English social industry. Their temptation has been to feel exultation in the great activity and efficiency of our labor, and not to be aware how deep a disgrace lies upon us for our contrasts of penury and luxury. If the total produce has been large, they have seemed to care little about the permanence of moral relations or the distribution of wealth. Many of them seem unable to understand that certain trades are demoralizing and that Vicious expenditure is of all things most wasteful. Moreover while avowing that their science does not treat on Morals, they are constantly assuming that it can dictate to Politics, in which Moral considerations are vital. A very weak point of the English school is, that they so readily take up with the Commercial notion of *land*, as though land were and ought to be the absolute and exclusive right of individuals:—of this I shall have much to say.

LECTURE V.

ON POPULATION AND THE DISTRIBUTION OF EMPLOYMENTS.

I HOPE you are now familiar with the thought, that the efficiency of Labor depends partly on Nature, and partly on the aid of Capital and skillful Direction, which Capital and Skill are a private property;—that the total product, therefore, is necessarily divided into two parts, of which one remunerates Laborers and the other Capitalists, being respectively called Wages and Profits;—and that the larger the one portion is, the less the other must be, unless the Labor increase in efficiency. You must farther conceive of Profit as splitting into two branches, of which one remunerates active and the other inactive Capitalists. The latter is called Interest. Of both Profit and Interest a certain varying fraction is allowance for risk, and may be called Insurance. So much for the division of the whole produce.

You will see of yourselves the confusion arising from an expression that has become frequent of late, that "Labor is the Capital of the poor," whence it is inferred that laborers have a right to Profits as well as Wages! The word Labor is itself here vague. I suppose it means, the *ability* to labor: but in fact sinews and bone give *no* ability to labor, unless supported by food, by tools and materials. A man who has food in reserve, or the means of purchasing it, is (in so far) a Capitalist; but *he who has not the means of feeding himself* is not a Capitalist, and has no right to the profit of other men's capital. He has merely a right to make as favourable terms for himself as the market will allow. (I do not now discuss the topic of the Poor Laws.) If, instead of being paid a fixed wage, he agrees to receive, in part at least, a payment varying with his employer's profits, he still is not any the more a Capitalist, and his payment ought still to be called Wages. *Variable or fixed, it is a payment for personal service, and not for the use of Capital.* If, however, he manages to save, and invests his money in his master's business, then he becomes (in so far) a little Capitalist, and receives Profits as a partner, besides his Wages.

Hitherto, in most nations, a large mass of the people has been without any sensible store of capital; but perhaps in no community of firstrate greatness has so very large a fraction of the whole lived *from hand to mouth*, as in Great Britain. The effects of it are in many respects lamentable, and the prospect is most threatening; yet it has in part risen out of an excellent advantage —the great abundance of Wages. The power of production which machinery has given us, has enabled mere children to earn more than their maintenance, and has tempted tens of thousands to migrate to the towns, to marry and raise families, all of whom are to live by Wages. This means, to be dependent not only on the *Capital* of others, but on their *Prudence* and Skill. On the moral evils of this, as discouraging personal forethought, I may afterwards touch. At present I confine myself to the primary Economic view of the case. Here are vast masses of families dependent on Wages, and therefore liable to starvation if Capital or its means of profitable employment fails. *Is it*, or *is it not*, to be feared, that Population will grow faster than Capital, and thereby will effect its own ruin?

The doctrine which has obtained great currency through Malthus, Chalmers, the two Mills and Macculloch, is, that Population tends to double itself in every twenty-five years or thereabout, but that, on a given area of soil, no such tendency to constant increase of Capital exists or can permanently exist unimpaired in energy; nay, in every country which has been long settled, *every* increase of population makes it increasingly difficult to raise food: hence the numbers are constantly *pressing against the limits of subsistence* (as the phrase is), and starvation will ensue, unless prudential reasons are called in to repress marriage. But such prudence (say they) is impossible, unless the State sternly casts on each head of a family the responsibility of feeding the children. Out of this springs the great Malthusian conclusion, that *a Poor Law which disembarrasses the poor from this responsibility must ultimately be most ruinous* to them; for (says the argument) it will stimulate their increase of numbers so much, that a poor-rate adequate to feed them would rapidly pull down the classes just above them in the scale: and the longer the principle should be persevered in, the more inevitable would be the final misery. Allowing, therefore, that public relief may be given to distress that could not have been foreseen, Malthusians would refuse it to those whose indigence is caused by imprudent marriage.

Mr. Malthus of course foresaw the reply that Emigration and Importation of food are the natural remedies for excessive popula-

tion; but he undervalued the efficiency of both modes of relief. Perhaps had he lived to see Steam Navigation, he would have modified this part of his argument.

The controversy moved by this celebrated question would need a volume to discuss, and I can only touch its outline.—My opinion is, that the Malthusian doctrine, when stated as an abstract theory, is undeniably true, but that every practical application which either Malthus or his followers have given it, is deplorably and perniciously false.

First: it is certain in the abstract, that if we go on multiplying at a fixed ratio, the earth must in a very moderate time be over-peopled.

The diameter of our globe is less than 8000 miles; its surface therefore is less than 201 millions of square miles, one third part of which, or less than 67 millions of square miles, is believed to be land. Suppose, now, that all the human population were cut off, except the 30* millions of Great Britain and Ireland: this would allow an average of less than 2¼ square miles to each individual. The number of square feet in 2¼ square miles is less than 63 millions; hence if the British population were multiplied 63 million fold, the entire solid land of the globe would be covered so thick that each would have but a square foot to stand on. And this sum, though large, would result from doubling our population about 25 times only. Supposing, therefore, that we double in every 40 years, it follows that our posterity alone would thus cover the earth in about 1000 years. If we doubled, as the Anglo-Americans, every 25 years, the time would be reduced to 625 years: and this would, no doubt, be our rate of increase, if we had a miraculous unlimited supply of food.

Such an argument, on Malthus's side, is, I think, *far more cogent* than any which he has used. His opponents may tell him, that the tendency of Agriculture to improve in efficiency has been undervalued by him, and that every plant duly nursed increases prodigiously faster than is possible to mankind. They may plead increasing facilities for carrying people abroad to the food, and for bringing in food to the people. But they cannot deny, that *if* the increase of population is not (somehow) checked, it will *at last* be smothered by its own numbers; and *that*, in a period of time which is but one-third or one-fifth of the past existence of historical civilization. But the question recurs,—what is this to us?

Would not any one be thought mad, who refrained from pro-

* Written in 1850.

moting his own moral happiness by marrying, merely because he feared lest the earth should be overpeopled 1000 years hence? Clearly. A legislator therefore acts tyrannically, who to serve this distant object impedes marriage. Malthus himself had no such visionary thoughts. He held population to be *already* too numerous,—that our poor are *already* suffering from it and likely to suffer more; and that all which can be done is to secure by law that the inevitable suffering shall fall in the right place; *i.e.* on the families of the improvident: to which end, the State (in his view) must never feed the children of those whose fathers are unable to feed them, only private charity should play this part, and the Church should teach the poor the duty of prudential restraint; moreover, *his school* assure us, such prudence on the part of the poor *will have its own reward* in the comparatively high market rate of wages.

Mr. Malthus was a benevolent clergyman of great learning and original thought. His doctrine was one of the phases through which Political Economy inevitably passed, just as Philosophy passed through that of the Selfish System, the upholders of which were not selfish persons. I see not how to deny, that, however true in the abstract is the nucleus of Malthusianism, yet its applications have been blighting to our science and cruelly misanthropic. On every point practical Malthusianism has been undermined,—I do not mean by the often unjust assaults of unscientific repugnance, but by reason and accumulated fact.

First, in England our Poor Laws were enacted, not from Charity, but as a necessity of Policy to break the despair of rustics, when violently driven off from the land. So long as our Laws of Land Tenure remain as imposed by the Landlords from the time of Henry VIII. no Government *dares* to repeal the Poor Laws, whatever Malthus may argue against them. To cast the support of the unemployed poor on the more charitable part of the rich and the less poor, is hardly *just*. Next, it is impossible for any poor man to hope that his individual prudence in the delay or renunciation of marriage will ever be remunerated by a higher rate of wages. He knows that others will swamp his market with *their* children, if *he* live childless. If the good alone are Malthusians, the bad families will outbreed them. Again, *if* after thirty years of unnatural abstinence from marriage on the part of vast numbers of Englishmen our population fell off, and wages rose high, the foreigner would learn of it, and from France, from Germany, from Scandinavia, workmen would pour in. Our Island would soon cease to be English, unless we enacted laws excluding

foreigners; a principle which no Malthusian, I believe, has ever dared to advocate. Further, the progress of Irish population has demonstrated, that a total absence of Poor Laws has no tendency to check population, but rather the contrary. When men live in a half brutish state of mind and body, you can no more stop *their* multiplication, than that of rabbits, by enacting laws: the only way is, to shoot them down. If men are to be treated as men and governed by law, there is only one way of checking their increase (supposing that to be desired), viz., by increasing their comfort and their self-respect, by developing their mental faculties, and lifting them above mere animal instincts. An Irish lad marries at eighteen, because he has nothing to lose and something to gain by it. He has no comfort in life to hope for, but that of a wife; and who will succeed in persuading him to renounce that also?

You must remember the wild ages through which Human Nature has passed. Our forefathers were all mere savages. In conflict with so many powers of destruction, our race could not have sustained itself, had there not been in its animal basis a marvellous power of self-reparation. A power essential in times of violence needs to be partially quiescent in times of tranquillity. Every natural power is given to us, so to say, in excess. No wise man expects or wishes to walk or run *the longest distance physically possible* to him; but he limits such exertion of nervous energy, and saves it for other uses. This whole topic is quite out of place in Public Economy: it belongs to private prudence and personal morals. For Economists to intrude into it is a great impertinence.

But farther, it does not appear that Malthus or any of his followers have given us any test by which we may ascertain that we are actually suffering under redundancy of population. They point to widespread distress, sometimes in one class, sometimes in another; but this may evidently arise out of moral, political, commercial causes, which have nothing to do with *total* over-population. The only intelligible test of the last, is that propounded by Mr. Lawson; viz., A people is *then* beginning to press on the limits of its subsistence, when a larger and larger fraction of its entire power is needed to raise the food of the community. And, tried by this test, we surely never were so far off from being redundant as we are at this moment. Even if England were the whole world, and we did but cultivate it as sagaciously as our best-farmed counties, till we had as much food as we could consume, I believe we should still have a larger proportion of hands free from the toil of food-raising than in the reign of the 8th Henry or the 1st Edward. Our economic disease,

therefore, does not consist in too much population (which means too little power of getting enough food for all), but from waste of food through error or from clogs and stoppages in the channels of distribution. If there is food for all, yet *one* person in 100 is either immoral, ill-trained, unwise, perverse, or blamelessly unfortunate, so as to miss his food, (and how small a percentage is this!) that will make out of our 30 millions as many as 30,000 persons hovering between food and starvation. Such a mass of misery, collected in heaps in the chief towns, grievously affects the imagination, as though there were more population than we are able to feed.

I have already urged, that if by unnatural and unparalleled abstinence our workmen could lessen their numbers in hope of raising their wages, the advantage would be quickly snatched from them by the immigration of foreigners. Yet this is but a part of the fatuity involved in the pernicious advice given to them by intended Philanthropists aiming at Economic Science. Forced celibacy, embraced by thousands of chaste young men (I add the epithet *chaste*, because I dare not suppose the Philanthropist to recommend *un*chastity and infanticide)—such celibacy implies a mass of men in all of whom Intellect and stern Forethought hold dominion over Emotion, Affection, and Impulse, as well as over the Animal in us. These must always be a minority: let us for a moment concede (what I ought not to concede) that it is a minority of exalted type, of nobler brain. Then the Neo-Malthusian (for the advice does not come from Malthus) strives to effect that the nobler brains shall not be parents to the next generation, but the feebler and more animalized intellects should vastly *outbreed* the nobler. As the Protestants in Ireland have complained that the Catholics have *outbred* them, so would it be among us British. Coarser, ruder, less intellectual natures, would in each new generation be more and more ascendant. If the Economical Doctrine found wider acceptance, not only would the Irish outbreed the Scots and English, but Scandinavians and Russians, Sardinians, Slovacs and Croatians; or in a word, the ruder races everywhere would become physically, numerically, and martially predominant.

Malthus, I have said, must not be charged with this unnatural piece of unwisdom. He merely insisted that the crisis of age at which men and women were physically capable of parentage did not dictate to us the fittest age to assume its responsibilities. He thought that in early maturity some provision should be made for the comfort of a future family, and that a happy

marriage with enduring affection was not to be expected from early immature impulse. He wished *rustic* lads to delay marriage just as townspeople generally do; and even to the married, he avows it to be unnatural and shocking that either law or public opinion should prescribe any limit to the number of children. That any man should fancy that his Science of Economy justifies dogmatism as to the *proper* number, seems a pedantry quite fanatical. Surely to the community twelve children reared to Virtue and Industry are a precious gift, while one reared to Vice is a grave nuisance. Malthus was too wise to think of number only and not of quality.

It might make one indignant, when a professed Economist dares to call a man *incontinent* because his family exceeds the number prescribed (forsooth) by this Science; only the impotence of this pedantry makes contempt soften indignation. No Statesman will endure the thought of his native population wasting while other races increase; and Moralists will not easily admit that in so critical a matter as Marriage mere Worldly Prudence is always to domineer. Malthus himself says that the Passion which draws the sexes to marriage could not be sensibly lessened without baneful results. He must have believed that the Creator knew what he was doing, when he gave us Affection and Impulse as well as Prudence. In my belief the topic of Population has no fit place in our Science. But I go back to analyze the law which regulates the distribution of employment into separate trades.

In the state of barbarism, every man produces food for himself; every little family is self-sufficient. In ordinary times, the physical wants of all are well supplied; but famines are frequent and severe, far beyond anything encountered in the same locality by civilized man: and at all times, no mental progress is possible for the savage.—You remember, that the first step out of this state rose out of the *increased efficiency of the labor that raises food.* When hunters become keepers of tame cattle,—and much more, when they begin to raise crops of grain and pulse,—a part of the community is able to feed the whole, and the labor of the rest is free to work at articles of comfort and luxury.

Now this is but the first step in a long ladder. Every increase of human abundance must ordinarily depend on increased efficiency of work; and all such increase of efficiency is apt to make itself disagreeably felt to the actual workers, who complain that their trade is overstocked. If, after the first step out of barbarism,

nine-tenths of the men can feed the whole nation, a second improvement in cultivation may enable seven-tenths to suffice; and if markets have been established, the excess of produce is at first vexatious to the producers, since they can purchase less with it. Two-tenths of them ought to leave the class of agriculturists, if all could be arranged by mechanism; but as men cannot or will not break up their habits, it needs several generations to bring about such a result.—Let me, however, for a moment suppose *an indefinite versatility* in the workers, and that, by virtue of this, they could change from trade to trade as speedily as general reasons of Economy dictated. Then, on successive improvements in the art of food raising, we might see first nine-tenths, then seven-tenths, then only six-tenths of the adult males employed in this duty: for since we can do nothing with food but eat, and the capacity of our stomachs is limited, it would be a clear absurdity to go on permanently overproducing. Thus a rough measure* of the facility with which a nation feeds itself, is found in the *smallness* of the fraction of its agriculturists.—Meanwhile, the hands set free from this work are engaged as artizans; some, in making agricultural tools or other weapons, some in clothes and furniture: say that *one-tenth* of the whole is employed in twisting, netting and knitting, so as to make mats, cloaks, and cloth, of a rude kind. In this stage some ingenious man invents a loom, the use of which soon produces cloth so abundant, that one-tenth of the population is now too much for this work. It is true, that the effect might only go so far, as to enable many to enjoy these things who previously went without them; but if the looms were confined to the simplest and coarsest produce, it seems inevitable that there would be overproduction. I have explained that the lowest and most urgent wants of man are the *most finite;*—as food and rough rags: it is only by rising into a mental sphere, where fantasy or taste act, that infinite desire is called out. Thus, instead of *one-tenth* of the people employed in the coarsest clothing, we shall perhaps find *one-twentieth* only; and the other twentieth may produce more elegant and luxurious articles.

Supposing, then, this infinite versatility in the workmen, and a steady improvement going on in every branch of industrial skill, we should see a perpetually diminishing fraction of them engaged in those trades which supply our lowest wants, and fresh and fresh fractions perpetually thrown off to work at luxuries

* It must not be forgotten, that in a very agricultural community, a part of the work of the peasant, as of the females in his family, is that of an artizan.

previously undreamed of,—perhaps at mental occupation. And, as I explained in the preceding lecture, the better the lower wants are supplied, the better are those remunerated who cater to our higher appetites. To cheapen food, is to add value to clothes and all higher things; to cheapen clothes *also*, is to increase still farther the value of what is less necessary, and so on. Hence the workmen would all be benefited by the progress of industry. The agriculturists would get comforts or luxuries that previously did not exist; the seller of luxuries would get plenty of agricultural produce; and so on.

But in fact, this progress is sadly embarrassed by the failure of our Postulate. *Man has* NOT *that versatility* of which I speak. He is attached to his locality as well as to his trade. He likes to superintend his children's education, and therefore to bring up his sons to his own trade. And it is hard to break down this sentiment, without impairing patriotism; without infusing a too purely Commercial soul, which values everything by its market price. Where to change one's trade is to change one's abode, to lose the friends of our childhood and youth, to be lost among strangers,—there, large pecuniary sacrifices may well be recommended in preference. It demands a higher education and great progress in rapid and cheap communication, to enable families to separate locally without separation of affection and interest.—Nor is this all; but when a trade has been learned by a long apprenticeship,—when it has been taught by mere routine,—when neither the mind nor the eye nor the hand has received any universal culture, but all have been trained to one thing only;—it is so hopeless a thing (or seems so hopeless) to change one's trade, that men cannot be induced to attempt it. Practically, therefore, it may be a great calamity to a nation if its industrial efficacy developes itself too rapidly for its individual flexibility; for it may produce more of certain articles than it needs or than it has channels for distributing, and the workmen by sticking firmly to their trade will then suffer want in the midst of abundance. This is what the "Universal Glut" means.

If this is not clear of itself, consider the possible consequences of an improvement in tools and organization. Suppose a nation of four millions of persons, of whom one-fortieth part, or a hundred thousand, are contentedly employed as working tailors and sempstresses; but, by the improvement of the needle, it becomes so much easier to draw the thread through the cloth or web, that it can pass six times instead of five with no greater fatigue. In consequence each workman and workwoman is encouraged to

produce more; and when the goods remain unsold, they are offered at a rather lower price, to get rid of them; else the workers will have to remain idle. *If now* the community was previously half clad, more clothes are bought and worn, so that a fresh and fresh demand takes place. The consumers then get benefit in reduced price, yet the tailors and sempstresses need not lose all advantage; for the price will not sink in so great a ratio as supply has risen; since the increase of demand helps a little to bear the prices up.—*But if*, on the contrary, the community was fully clad already, and will wear but little more clothes, even if they be offered cheaper; but will rather save money in clothes to spend on something else; then the needle-workers find their stock is depreciated and that demand is slack. They do not know that this is a permanent thing, and hope it will mend. Finding themselves a little poorer than before, each works harder, to make up. Perhaps they before worked only nine hours a day; they now begin to work ten. Thus the stock was first increased by one-fifth (or from 100 to 120), by the improvement of needles; next it is increased one-ninth more, or from 120 to 133⅓, by the longer hours. Thirdly, this increased demand for the cloth probably makes it rather dearer: this is paid (let me suppose) beforehand by the worker: thus the expenses and labor are increased, and the sole reward is—a diminished price of the goods. Obviously, if they persevere in this course, poverty and lingering trouble is inevitable. They are producing more than the community cares to use; and unless they can export their goods to a new market, there is no remedy but that about 25,000 of them leave that particular line of trade. The most hopeful thing would be, to develop some higher form of it.

Very similar results might happen from improved organization. If a city have 1000 working tailors, accustomed to work separately, with great trouble and loss of time; some capitalist conceives the idea of economizing labor by bringing together a company of thirty workers. He pays them liberally at first (I will suppose), and the advantage of the division of labor sensibly increases his produce. To promote its sale, he a little lowers the prices, but still makes a good return for his money. His example finds imitators, and as the produce keeps increasing beyond the actual wants of the community, the end ought to be a lessening of the number of tailors; unless indeed some new purchasers can be found or raised up.—Thus *whatever* makes human labor more efficient, tends to glut that particular market, unless the produce is of that kind for which the human desires are infinite.

The general law of Economy may here be called a law of Providence. It is intended,—it is desirable,—it is in the course of human improvement,—that by the advancing skill of man, a larger and larger fraction of the nation should migrate out of those trades which provide for our primary and lower wants into other employments. If men fight too obstinately against this economic law, they do it at a severe expense of suffering which must at last subdue them. But let me call your attention here to a strange misrepresentation. It is said: "How absurdly inconsistent are you Economists! you first extol Competition, and then you confess it is a most ruinous thing; and you warn people to run away from it by changing their trade. Surely this justifies *us* in denouncing Competition as an unchristian iniquity, the very root of evil."—I reply: Competition is, in the market of the world, what Gravitation is in the mechanism of the heavens, an all-combining, all-balancing and beneficent law. But the beneficence of which we spoke, applied to the *equalization of advantages among those of the same trade*, to which Competition tends. If there *must* be 100,000 tailors, competition tends to level them: this is, under the circumstances, a good thing: but to say that, is not to say that there *ought to be* so many tailors. Moreover Competition is not a thing invented by Economists: *it is a necessary result of private property.* To concede that money or goods are a private possession, and deny freedom to buy and sell, is absurd: but this freedom ensures Competition. We do not "panegyrize" competition in any other sense than we panegyrize Gravitation or Fire. All these things are necessary powers, deeply inherent in nature, and admirably suited to this world. To denounce them as "*in themselves evil*," is really too absurd.

The particular question of tailors and sempstresses has been put by me hypothetically, to illustrate a principle. If I approach the actual facts of modern London, I should observe that the profession of the sempstress in the lowest classes is assumed, as that of the governess in the middle classes, by hundreds who have no aptitude for the work; and it is quite possible that there may be many who do not get employment or who get it seldom and ill-paid, simply because they work very badly. But as it is certain that if there were *too few* workers in comparison with the active desire of the public to buy clothes, all who could work well would be able to make advantageous bargains with the master-tailors and drapers, so it appears to be impossible to resist the inference, that the true cause of any really and permanently low

wages in these trades is, because the activity of the system has for some time past been over-supplying the public. A tailor's trade, like that of the clerk or writer, either is, or appears to be, so easy to acquire, that *too many are always liable to flock into it:* and the more this art is taught in the Ragged Schools, the worse, perhaps, will be the case of journeymen tailors, at least in the *ready-made* clothes trade.

To blame the public as oppressively eager for low prices, is very gratuitous. In fact, the work which is *bespoken* does not seem to be cheaper than thirty years ago, when food and all necessary or convenient things were dearer. The public can only know at what price an article is *offered:* we cannot know details concerning wages, nor are we more blamable for buying when the article and its price suits us, than for refusing to buy when it does not.

And here I am brought to the remedy of Sismondi and his school, who declaim about the necessity of Supply *following* Demand, not going before it. The only meaning which I can see in this, is, that nothing should be made for sale, until it has been *ordered*, lest too much be made. Unless men are to be constrained to idleness until an article is bespoken for use, of course Supply goes before Demand. The opposite principle would have extinguished all new invention. Which of us could think of ordering scores of elegant or useful things, if they were not first exposed for sale? Moreover, how can it possibly be known how much the public is willing to pay, except by trial? The Demand is called out by the usefulness, beauty, and cheapness of articles, which very seldom can have been thought of by the consumer.

The nucleus of our whole difficulty is, that our people have more Liberty than Versatility or Good Sense. There surely needs no proof that a trade *may* be overdone: need I exemplify the handloom weavers? Suppose an Act of Parliament to be passed, which would set up a Minister of Industry and enable him to press them all into whatever trades he pleased—a thing of which Socialists coolly talk;—and that he forced some of them to become streetsweepers, some to be shoeblacks, some to be butchers' boys, and so on:—the whole country, and the weavers themselves, would cry out against the tyranny of the measure. It would be vehemently argued, that no one has so strong an interest as each man himself in finding out for what trade he is fitted and what trade will remunerate him; and that for *one* mistake made by the individual, *ten* will be made by the Minister. Our Freedom to choose our trade *must* therefore *be left to us*, great as is the possible

suffering to individuals who have chosen badly and who cannot or will not alter. Despotic authority would only make the case prodigiously worse. It remains as a law of Heaven and Earth, which kindness may a little palliate, but cannot remove, that those who use their Freedom pertinaciously to cling to a worn-out or glutted trade, must suffer. No man has a right to expect society to pay him for services which society does not value. No man has a right to claim to be supported in a business which experience shows to be a failing one. Even the claim for charitable commiseration can only be sustained by a plea which such workmen will, perhaps, not choose to adopt;—that of total incapacity for any other service than this one which is not wanted. Such a plea would be distasteful to those who are accustomed to assume the tone of wronged and persecuted men towards the masters whose wages they freely accepted, and whose refusal to deal with them would inflict on them still worse suffering.

Our poor urgently need *Industrial Education*. They ought not to commence routine-work so early. The Eye, the Hand, the discrimination of Form and of Beauty, should have both broader and deeper culture. They should primarily learn more of principles, less of details. They should be taught to use tools and weapons of the most various kinds and in various ways, with strength or with delicacy. If a wide basis were thus laid, before they commenced their proper profession, they would afterwards be *more versatile*, and far less bigoted to a single occupation; and as soon as the lower wants of any trade were satisfied, they would develop some higher form of it. No sums which the State could lavish on such education could be extravagant; and, in any case, laws forbidding the *premature* or *excessive* work of young people are eminently important. But neither the State nor any Societies will discover into what new trades the supernumerary hands of old ones ought to be drafted off. That must be left to individual sagacity, with the frequent suffering of the unsagacious. At the same time, one duty always presses heavily on the State. In claiming that Industry shall support itself, and shall *discover* new forms of working for a livelihood, the highest Authorities *must make all our fundamental institutions just*,—especially in securing that the Natural Gifts of God,—*Air*, *Land* and *Water*, are accessible to all, and are not made a heritage to the Few. Very much more is meant by these few words, than may be understood before I deal with Private Claims on Land.

LECTURE VI.

HISTORY AND NATURE OF LANDED PROPERTY AND OF RENT.

Hitherto, I have abstained from speaking of Rent of Land, and Landed Property. The subject is so complicated with political, historical, and moral considerations, that various introductory matter is necessary, before we can attain to the purely economical view.

We can trace the history of tillage in the Teutonic nations as high as the state of barbarism, when no such thing as private property in land was thought of. The Germans in the days of Cæsar lived chiefly by tame cattle and on wild game. Agriculture was little practised; the rights of land rested entirely in the tribe or nation, not in the individual;* in fact the magistrates redistributed the land to the use of the tenants, year by year, no land remaining in cultivation two years together. The poet Horace alludes to Scythia as having similar agrarian practices. The husbandry was, of course, of the least laborious kind, in which case it is not found at all oppressive to yield up a small fixed fraction of the produce (perhaps one tenth) as Rent. Such rent was undoubtedly paid by those whom Tacitus calls the *serfs* of the Germans; who were not household slaves, but lived in their own separate huts, and paid to their lord "a quantity of corn, or of cattle, or of stuff" (Tacit. Germ. 25). These serfs, I think, were conquered Gauls, who had occupied the soil before the Germans came upon it, and did not migrate west of the Rhine with the mass of the Gaulish nation. People thus conquered would naturally lose their language in the course of many generations, wherever they lived on wide plains and were encompassed by and interfused with Germans. But on mountainous ground they would retain their Gaulish tongue, and we hear that the Gothini in the interior fastnesses of Germany actually did,

* Tacit. Germ. 26; Caes. B. G. 6, 22.

though compelled to pay tribute (Tacit. Germ. 43). The Boii, a Gallic race, long lived independent within its circle of mountains, and gave its name to Bohemia. Thus the earliest rent in Germany was a kind of tithe, *paid for political safety* by a population of serfs, probably foreigners: but no native and free German paid rent, and no individual whatsoever possessed land in private right.

When German invasion deluged the rest of Europe, and feudal monarchies arose, the basis of the social system was in the tenure of land. In many parts, but eminently in Italy, the Towns remained like independent powers with their own territory. Of the rest of the country a division was made almost identical with that of ancient Egypt or ancient India, into three sorts of land, belonging to the Crown, the Priests, or the Military order, that is, the nobles. The actual cultivators generally paid rent in some form to one or other of these three possessors; but the principle was on the whole clearly upheld, that the land belonged to *the State*, and to no private person. Small freeholders who cultivated their own land may seem to have been an exception. At any rate the larger holders, or landlords who received rent, were by the very fact constituted into public functionaries, who had service to perform for the payment. Town Lands, as the very name shows, belonged to the public. Nor were the Crown lands the private property of the Sovereign, nor could he alienate them. The Church lands equally were public, and the clergy owed public religious duties for them. Besides this, Bishops and Mitred Abbots, equally with Barons, were bound to maintain soldiers on their estates for the King's need. The Barons' domains descended to their sons or representatives, and might not be sold for the advantage of the immediate holder, who had only a life-interest in them. All these great functionaries had to do solemn homage to the King for their land, in token that it was public property: besides which they were liable to other burdens. In fact, the Barons generally had courts of their own, and in many countries were like little sovereigns, whose political duties were requited by honour and by rent, which was not a commerical, but a political payment. Of all this perhaps the only remnant in modern England is seen in unpaid justices of the peace and in the compulsory serving as High Sheriff: and, trifling as this may appear, it serves to indicate that the law has never given up the principle that landed possessions are a TRUST bestowed by the State, and that the person accepting the trust becomes in some sense a public functionary, pledged to definite duties.

In India the principle has continued to our days, that the Crown is the owner and proprietor of the great mass of the land. Under the Mogul Emperors, the rent was gathered by a large number of public officers, called *Zémindârs*, or landholders; who were allowed some liberal percentage to maintain their own rank. Lord Cornwallis treated these Zemindars as English landed proprietors, so far as to fix for ever by a single act the sum which they should annually pay to the government. This is celebrated in our Indian History by the name of *The Permanent Settlement*. Of course it took effect only in that part of the country which was then subject to us. Modern Indian placemen often regret this act, as an unwise alienation of public revenues into individual hands. It certainly was an alienation: but its benefit, as a restricting of despotism, seems to outweigh all its other evils. It has secured, wherever it exists, that our taxes shall not grind all down into the same level of poverty. In the other parts of our Indian Empire, the State tries to take to itself the gains of both landlord and farmer, and deals directly with a number of miserable cottiers (called the *Ryots*), whose rent is liable to be raised with the industry or good luck of the tenant. But the demand of Cash, instead of taking rent in kind, was apparently the fatal change.

The system of sustaining the expenses of the State by the rents of public lands is characteristic of a stage which has almost vanished in Modern Europe. It is appropriate to Feudal Monarchy, but, without some modification, is ill-suited to our own times. Feudal Rent is essentially distinguished from Commercial Rent in being fixed in amount by *custom:* either such a fraction of the produce, or such a number and quantity of specified things, or a very moderate quit-rent in money, for a long period of years. The king or baron who received gifts in kind, kept a host of retainers in rude plenty, but was not always able to command any large sum of cash, even if he condescended to keep a public store, and sold goods on his own account;—for the superintending officers swallow up a large amount. A moderate fraction of the produce is a natural and easy payment, if the land is fertile and easy to cultivate, and so long as the farmer uses little exertion. But, as I shall have occasion to show fully when I speak of Tithes, so soon as elaborate cultivation is needed, to demand a fixed fraction of the *gross produce* is an infliction that presently stops improvement.

While the public Revenue depends solely on the rent of Crown Possessions, and some reasonable rule of custom determines the

amount of the rents, all goes on well enough. But after the Monarch finds himself able to get supplies in hard money from *another* source, as by gifts from trading cities, and votes of his Parliament, the temptation becomes irresistible to gratify some favourite by putting him in office over some of the Crown Estates, and not exacting of him the full rent. The legitimate revenue is squandered, because the king can replenish the loss conveniently in another way, and prefers ready cash to produce which needs to be sold. Perhaps in no country of Europe have the Crown Estates been honourably used, even where they have not been alienated. For instance, in Hungary the Austrian emperors have preserved the Crown Estates; but they have not succeeded in making any use of them proportionate to the industry and knowledge of our times. A king cannot hold auctions of his farms or mines in person, so as duly to raise the proceeds; and his officers generally manage to divert to their own uses any increase of rents which from time to time ought to arise. We cannot wonder at this, when we know that some of the most valuable estates still remaining to the English Crown, are no source of public revenue. The illegal alienation of the Crown Estates, partly by sale and partly by gift, is a scandalous chapter in English history. Against it the Parliaments again and again protested, and often effected a resumption of the Estates; nay, one King, after selling some of them, and using the purchase money, took back the lands himself, alleging that the sale had been essentially beyond his power. However, after the Abbey Lands had been distributed among the aristocracy by Henry VIII., Parliament was dumb, so many having eaten the sop; and the alienation of Crown Lands went on, until at last the whole taxation of the country, which ought now, as originally, to have been defrayed by Rent of Land, was shifted on to trade and industry. The landholders passed laws to exempt themselves from feudal service, so as to hold their rents for nothing, and presented the restored king (Charles II.) with taxes on Intoxicants and Port Duties instead!

It is strange to add, that the Commercial part of the community was so far from resisting or resenting this great financial revolution,—which was really a gigantic fraud on the nation, and peculiarly on the towns,—that they practically aided it, owing to their great desire to see land converted into a purely commercial article. No sooner has a man become wealthy in trade, than he desires to become master of a landed estate by purchase. But the old laws did not allow a nobleman or squire to sell his estate;

for it was a fraud on his successors, to take in ready money the value of the land for ever. Yet from an early period the Crusades urged so many to desire to sell their lands, that (I understand) the law was often evaded; and I have heard it is mainly from the necessity of evasions and fictions, whenever land was to be transferred for money, that the rules of landed property have become such an unintelligible mystery in England. The conspiracy went on against the law for two or three centuries, between impoverished landholders, wealthy merchants, and cunning attorneys, whose combined force, aided by the decisions of Judges, gradually overturned the old feudal theory, and worked into the English mind the commercial idea of land, as something to be bought and sold *freely* in the market. The Barons' courts were suppressed by those of the King; the Barons' soldiers were thought less trustworthy than an army raised by the King's own functionaries, and paid by money from the Parliamentary taxes. Thenceforward the Crown left off caring that a large number of men serviceable for war should be sustained on every estate; Henry VII.'s Parliaments aided the king's policy of breaking entails: commercial notions of land prevailed, and in process of time landholders claimed a right to their estates *as if no one else had a right in them.* As far as I am aware, to eject the population in mass is a very modern enormity. We think of it as peculiarly Irish: yet nowhere perhaps was it done more boldly, more causelessly, and more heartlessly, than from the Sutherland estates of Northern Scotland early in this century. Between the years 1811 and 1820, fifteen thousand persons were driven off the lands of the Marchioness of Stafford alone; all their villages were pulled down or burnt, and their fields turned into pasturage. A like process was carried on about the same time by seven or eight neighbouring lords. The human inhabitants were thus ejected, in order that sheep might take their place; because some one had persuaded these great landholders that sheep *would pay better* than human beings! Deer still later evicted the sheep.*

This is truly monstrous. It is probable that nothing so shocking could have been justified, but for a juggling plea concerning the claims of Political Economy. It is defined as the science of *Wealth:* not amiss: but Whately rightly contended that "the Science of *Exchange*" would be better still. It will not confound itself with Politics: right again. It cannot undertake to define

* The complete history of such recent enormities may be read in Dr. Alfred Russell Wallace's instructive book on "Land Nationalization." 1889.

what things are, and what are not, private property: it *assumes* that Political Law regards the land*lord* as the land*owner*, and justifies him in emptying his estates at pleasure. Well: if so, it follows that the rules of mere Economy are no sufficient guide to the conduct of a moral being. If Statesmen, Parliaments, or Courts of Law have neglected to define and establish the rights of those who dwell on and cultivate the soil, the landlord cannot plead that neglect to justify his wrong. Grant that, as a mere lawyer, I have no right to ask whether land is or is not private property; yet, as a politician or as a moralist, I may see that no lord of Sutherland ever could have morally, or ever ought to have legally, a greater right over his estates than the King or Queen had, to whom his ancestor originally did homage for them. A baron, in his highest plenitude of power, has rather less right over the soil, than the king from whom he derived his right: and a king of England might as well claim to drive all his subjects into the sea, as a baron to empty his estates. We read how William the Conqueror burnt villages and ejected the people by hundreds, in order to make a hunting ground for himself in the New Forest. This deed, which has been execrated by all who relate it, seemed an extreme of tyranny: yet our Courts of Law and our Parliaments allow the same thing to be done by smaller tyrants; and the public sits by, and mourns to think that people deal so unkindly with *that which is their own!* Here is the fundamental error, the crude and monstrous assumption, that the land, which God has given to our nation, is or can be the private property of any one. It is a usurpation exactly similar to that of Slavery. The slave-master calls himself slave-owner, and pleads that he has purchased the slave, and that the law has pronounced slaves to be chattels. We reply that the law is immoral and unjust, and that no one could sell what was not his own; and that no number of immoral sales can destroy the rights of man. All this equally applies to land. The land was *not* regarded as private property by our old law; it is not to this day treated by the law on the same footing as movables; and there are many other persons who have rights in a piece of land, besides him who gets rent from it. The lord of the manor has his dues, but this does not annihilate the claims of others. For, land is not only a surface that pays rent, but a surface to live upon: and the law ought to have cared, and ought still to care, for those who need the land for life, as much as for those who have inherited or bought a title to certain fruits from it.

Political Economy, in a country which sanctions Slavery, will

talk of slaves as of cattle; and rightly, as regards commercial calculations. So too, among ourselves, Economists have accepted as *fact* the commercial doctrine of land. Their science is not to blame for it: but some of them, as individuals, are to blame, for having so much sympathy with the rich and so little with the poor, as not to see the iniquity of such a state of things; but rather to panegyrize English industry as living under glorious advantages,—where the laborer on the soil has no tenure in it, no direct and visible interest in its profitable culture, no security that he may not be driven off from it, in order to swell the rental of one who calls himself its owner.

To analyze this subject the better, I shall put various suppositions.

If a solitary family land on the shores of an empty continent, like Australia, and occupy a plot of desert land, prior occupation would confer on them a right superior to that of any other claimant. After they had cultivated it ten years, if a stranger tried to drive them off, all bystanders would call it an invasion of right.—Let him take a portion of the unoccupied land, if he please, but not eject them from that which they have made their own by usage and by improvement.—Thus the occupants have a certain right in the land prior to Statute Law, which right ought to be confirmed by Law, when the time comes for enactments.

If the stranger, on considering the labor which it will cost him to clear copses, to make fences, to dig drains or wells, to build out-houses, to make roads, or execute other works, to say nothing of the dwelling-house, chooses to offer a price to the pioneers of civilization for their improvements, on condition of their yielding up the farm to him, it needs no proof that they are able to make over to him the whole of their right; and that the price which they receive will have been honestly earned. But thereby they abandon all farther claim to it.

Should he not be rich enough to pay down what they regard as a fair compensation for their labor, the contract may take the form of a yearly payment on his part, which may perhaps be called a Rent. But supposing it to be intended as a remuneration for the trouble which they have taken with the estate, the payment will, in fact, be a return of *Profit* to the Capital sunk, exactly as in a common House Rent.

If the first civilized colonists find the land overrun by tribes of hunters who will be more or less dangerous to them, it may be wise to disarm their hostility by Gifts; and it is probable that the colonists, if otherwise prosperous, will see it advisable after-

wards to renew such Gifts; and, in order to save themselves from importunities in too many quarters, to address themselves to one, who may seem to them the most powerful chieftain in those parts, in hope of putting some limit to the exactions. The first Gifts may be called Peace Offerings. Their intention and effect is, to show that the strangers come with peaceful intentions, and need not be feared. The gifts which follow are mere exactions, extorted by rudeness on the one side, from timidity on the other; but they have no moral end or propriety. When, however, one powerful chieftain enters into an engagement with the colonists, that if they will make certain annual payments to him, he will secure them from being molested by any one else, these gifts are an acknowledgment or recompense for his *Protection;* and if he prove strong and faithful, he is gradually discerned to represent the State. The Rent paid to him is not strictly commercial, but political; nevertheless, it is not given for nothing, since quiet and undisputed possession is secured by it. If, however, the power of the natives declines, and that of colonists of the same race as the first increases, so that after a time the colonists can amply defend themselves, it is probable that they will at last refuse farther payment, feeling with good reason that the original grounds of it have vanished. Unfortunately, this almost always leads to a trial of strength. The habitual rent-receiver regards himself as cheated, when the payments stop, and he generally invades the colonists with violence. But if they succeed in repelling him, it becomes manifest that they need not pay him for protecting them, and that therefore he has no farther claims over them.

Gifts for Protection may be indifferently called Rent, Tribute, or Taxes; and if viewed economically, are a compensation, not for the land, but for the trouble and expense of defending the cultivator. When the State defends all property alike, and taxes all, no special burden will on this account rest on the cultivator of land.

Let me alter my supposition. After the colonist has held his land for some years, he removes, and occupies a different spot. A new colonist comes in, and seats himself on the vacated ground. Can we imagine the first occupant hereupon to send him word, *not to intrude on his private property, but go elsewhither?* I think not. The new comer would reply,—That empty ground is open to all: that the first was free to use, to occupy, to keep; but what he has left, he cannot keep. At the utmost he might hope to receive some *thank offering* from the new comer, as soon as it proved convenient,

as an acknowledgment for the advantage derived from his predecessor's labors. But any claim on his part to be regarded as *the owner of the soil*, would be treated with contempt. "What!" (the stranger would reply) "did you create the earth? or why is it yours? You used it, while convenient; you abandoned it when convenient; and it is now mine, as much as it then was yours."— In short it is clear that no man has or can have a natural right to *land*, except so long as he occupies it in person. His right is to the use, and to the use only. All other right is the creation of artificial Law.

But what if a settler were to forbid a stranger to occupy land within a mile of that which the former was cultivating, saying that he wished to keep this for galloping and hunting ground; or that he expected it would be useful to his children twenty years hence? This surely would be greedy usurpation, not to be defended by the plea that he had set up marks, or run a light trench, to denote the extent of his intended park, or of his children's future estate. Where land is so abundant and so equally convenient, that each may exercise his caprice without inconvenience to others, even caprices may be respected; but none would be justified in thus excluding their neighbours from valuable sites. If any one who pleases is allowed to carve out a park in the wilderness; yet he cannot be allowed to take the river side for it, so as to shut others out from its conveniences. Over Land that never has been subdued and improved by labor, no individual has any moral claim. Being wild, it is public.

Let me suppose that the English Crown, while it was the legal owner of vast tracts in interior America, gave away an estate ten miles square to some British subject, who succeeded in planting colonists on it, from whom he received some trifling rent. This rent they are willing to pay, in order to get security from molestation. Time goes on, and a political revolution overthrows all power of England in those districts. The increase of population and the industry of the farmers have gradually improved the farms; a new generation has succeeded; and now the representative of the first grantee,—calling himself *the owner of the soil* by gift of the King of England,—claims to raise the rents of the farmers, because of the increased value of the farms. Is this conceivable? In England, undoubtedly such things are done: but if not enacted by a most peculiar state of law, it certainly would never suggest itself as right. In America, such a claim would be a signal to the farmers to pay no more rent. They would say: This man, who calls himself landowner, has done *nothing* for the soil. By

favour of an old king, his predecessor was once invested with a nominal right over it; that right was worth something at the time, and it was paid for: it is worth nothing now, and we will pay no longer.

The moral claims of an actual tenant to be allowed undisturbed possession, are evidently valid against all strangers. The claims to Rent, on the part of one who calls himself landlord (whatever the full meaning of that term) can rest on only two grounds,—viz., (1) that he gives secure and undisputed possession, fulfilling herein the function of the State; or, (2) that he has spent capital on the soil in various forms, and is entitled to a remuneration for it. Where it is possible to discriminate the latter ground of claim, Economists will of course call the payment Profit, and the other part alone is called Rent. Here is a most inconvenient ambiguity, of which you must be made aware. If a man spends £2000 on a house, and expects a payment of £140 a year from the tenant who is to live in it, he calls this House Rent; yet it is mere profit on his capital. A part of nearly *all* agricultural rent is practically of this kind. The landlord with us keeps up the farm-house and other necessary buildings, and sometimes even executes permanent improvements. The payment, however, which is made for these is not included in Rent, in the *specific* sense in which Economists use the word. And do not complain of them for this. They are in a difficulty, owing to the ambiguity of language. They want a new word, which is not found in common life, to denote *that part* of Agricultural rent which is not, and is not intended as, profit for capital expended, but is barely an acknowledgment for the secure possession of a natural instrument. This, and this only, is the specific sense, which you will find Economists to mean in some statements.

The nature of the case at once shows that *the State* is the only primary claimant of legitimate Rent; whether the State show itself in the person of a King, or of a powerful Baron, or of a democratic President. In the later, as much as in the earlier stages of human society, this conviction forces itself upon us. Imagine a continent like America to be gradually covered by tenant freeholders, each of whom is recognized *for the present* as absolute owner of the soil which he cultivates. You will yet see, that an increase of human population might hereafter take place, so great, that the law must refuse any longer to admit the right of the freeholders to be absolute. For to allow anything to become a complete private property, it must either be needless to human life, as jewels, or practically unlimited in quantity, as

water, or brought into existence by human labor, as the most important kinds of food: and it is rather as a result of experience and wisdom, than by direct moral perception, that we forbid all invasion of private property in food, even to alleviate public famine. Now, as water, which is ordinarily allowed to be private, becomes public property in time of siege, so soon as its quantity is painfully limited; and as the possessors of wells would then be indemnified for *the expense of their well* only and not for the water; so if at any time land becomes needed *to live upon*, the right of private possessors to withhold it comes to an end, and the State has merely to secure that they be fairly indemnified *for their actual expenses*, and for any fixed capital which they are made to yield up.

In fact, more than this principle is daily acted on by our legislature. Individuals are forced to yield up their land, and compensation is awarded to them by a neutral party, on reasons much slighter than necessity for life. It is thought convenient to the public to have a road or a canal or a railroad station; and the landholder is unceremoniously forced to give way. No doubt the compensation is generally not liberal merely, but lavish: that however is a question of detail. The matter of principle is, that the nation at pleasure resumes possession, and *does not allow the holder of the land himself to fix his price.*

Thus, as the result alike of history, of practical law and of moral reasoning, we elicit that an individual never can have absolute or sole right in land, that there is always some limitation of his rights, and a power of resumption reserved for the State. In some countries, the rent of the landholder is determined by Custom; and the Custom may consist in a fixed fraction of the crop. The critical matter is, whether the landlord has a right of ejecting one tenant, and putting-in another. In English law made by landlord legislators he *has* this right, and that it is which has gradually enabled him to appear as the land*owner*. The right of ejection is probably that against which the Roman plebeians struggled so long; the enforcement of which virtually enabled the patricians to convert public land into private property. As a consequence of the power of ejection the English landlords are able to raise the rent, after a farmer's labor has improved the land. Hereby in a succession of many generations they have systematically appropriated to themselves the fruits of their tenants' industry.

Where the cultivator has no resource for life but from cultivating (as prevalently in Ireland) he who has command of

the soil can exact any written engagement from the tenant; among others, payment of cash as rent, in lieu of payment by the crop. Thus also all risk of the seasons is shuffled off from the rich proprietor to the needy tenant.

The injustices of the past have been very great, and they may yet suggest some political measures which it is not my place here to indicate: but we cannot give back to the true owners property which was theirs, and the law is forced to regard as the absolute property of the landlord the whole increased value which the soil has received from labor, in so far as this can be ascertained. The landlord no longer gives political protection, and seems scarcely to owe any political duties to the State. The moral justification of his rent is now found only in the commercial value which he or his predecessors have *added* to the soil, by labor, manure, and other fixed capital. If the rent were strictly and solely a remuneration for this, it would be mere Profits of stock: but in fact it is almost always more than this, as I must now proceed to indicate.

"Rent," says Adam Smith, "is the portion of the gains of the person employing the land, which *he finds it worth his while* to pay for its use." No better definition has ever been given. But you will immediately see that two men differently circumstanced will find it *worth their while* to pay very differently for the use of the land. An Irishman who fears starvation if he has not an acre of potato ground, or an English townsman who desires a croft to keep a cow upon, for the luxury of good milk and butter, will be willing to give a far higher proportionate rent, than a farmer for 300 or 600 acres: and as land, especially on the outskirt of towns, is limited, the competition for it is severe, if the town be wealthy. There are thus at least four kinds of agricultural Rent, to be carefully kept apart in our minds:—Rent of land desired by cottiers as a security against starvation,—Rent of small pastures intended to minister to domestic luxury,—Rent of ground for market gardens close to a wealthy town,—and common farmers' Rent: and besides all these, there is Ground Rent of buildings. This requires so much separate remark, that I must resume the topic in my next lecture. Generally, however, so much may be said: "When Rent is paid by a *Capitalist* who is seeking an investment of money, and finds Land essential to his trade, then Rent generally implies excess of his gains above what he might expect from employing his money and time elsewhere." This is true, whether he be a Grazier or a Corn Grower, a Market-Gardener or a Builder.

To exhibit more generally the principle, that excessive gains lead to specific Rent, I will suppose a man to have constructed a ship which sails so beautifully and obeys the helm so easily, as to need a less amount of sails and cordage, and fewer sailors to manage her, than other ships, and to perform her voyages to China in half the usual time, and with such safety as to cost only one-tenth of the ordinary insurance, and yet to carry more goods than usual, and carry them drier and less damaged. From all these advantages the owner would undoubtedly make large gains, if all prices beside remained the same. Suppose, now, that the efforts of shipbuilders to rival this ship totally failed: that her build was a matter of such delicate good luck, that science and practice were both at fault, so that she remained unparalleled. If so, the prices of her goods and of carriage would not be lowered by the competition of other ships, and the gains of the owner would be permanently high. I will imagine it to become notorious, that, after allowing for risk, to have *this* ship at one's disposal for a year, rather than another of the same apparent size, was as good as £1000 a year in a merchant's pocket. If so, here would be a peculiar redundancy of gain, which had no tendency to equalization by the same law as other redundant profits; and if the owner were disposed to lend his ship for a year to a merchant, he would expect to receive an additional £1000, beyond the common payment. This excess we call Rent, whatever may chance to be its cause.

If a beautiful organ, like the Apollonicon, proved inimitable by other skill, and in consequence its melody commanded high Fancy Prices from the lovers of music, its maker might get extraordinary profits; and if he chose to let it out, he would receive virtual Rent. So, if (by undisputed custom) a duke has sole power of fishing in certain streams, where trout or salmon are abundant, and the taste of the rich for these fish makes the gains of the fishery permanently far higher than the average of common trade, the duke will be able to let out the fishery to advantage, and will receive Rent for it. Thus, in the large sense of the word Rent, we may apply it to any extraordinarily gainful machine, the use of which is transferable. But manufactured things being almost always imitable, do not permanently yield extraordinary profits; for they are exposed to competition (except so far as they may be artificially defended by a Patent Right), and the prices of their productions are at length reduced. Hence when we speak of "Economists' Rent," we almost always have in view some natural advantage, as of a *place*, which enables its legal owner

or holder to command high profits, and to claim Rent if he transfers these profits to another.

Suppose a small island to be thickly peopled by wealthy manufacturers, and that the inhabitants are supplied with substantial food by purchase from beyond sea. If now the island, so far as it can be yielded to Agriculture, is divided by the State into dairy farms, it may prove worth while to private persons to pay Rent to the State for them. Why?—because the gains of the dairy farmer in such circumstances are large. But why so?—because so many wealthy persons desire cream, fresh butter and other luxuries which cannot be imported, that the price of those things is high. But why does not the competition of the farmers against one another again lower the price?—because the power of the ground is very limited, and the market is necessarily undersupplied. Thus the fundamental reason of high gains of the farmer is found in his having *a virtual monopoly*. He has a market larger than he can possibly fill. Deficient supply of things coveted by persons able to pay makes high prices and large gains to him; because of his large gains, he is able and willing to pay Rent; and it is therefore just for the State, as owner of the land, to exact it from him.

Thus, whatever the circumstances of the locality that produce excessive gain, Rent is a natural and fair consequence; fairest and most rightful, when it is levied for the uses of the community and not for a private landholder. It is not necessary to Rent as Ricardo laid down *that one farm be more productive than another*, but that (in the average of years) the Capitalist shall have greater gains from the farm than he could have expected by using his money and time in any other way accessible or acceptable to him.

Such is our first general view; but in my next lecture I must follow it into separate details.

LECTURE VII.

THE LAWS OF RENT AND TITHE.

Let me resume Adam Smith's definition of Rent,—as the sum which the occupier of land *finds it worth his while* to pay for the use of it. On studying this statement (the truth of which is self-evident), we see two opposite and extreme sorts of tenants, whose power or will to pay Rent is governed by very different laws. On the one side the tenant may be a wealthy capitalist, who desires the land as an investment for his money; or, on the other, may be a needy cottier, who has half a year's store of food, an ass or cow, and a few rude tools, and desires the land as essential to save him from starvation or beggary. If the capitalist farmer can come to no satisfactory bargain with this particular landlord, he can transport himself and his money into another county or to the opposite end of the island, and can search far and wide, by personal inspection, by advertisement, and by agency, until he finds a farm to suit him. But the cottier is virtually bound to the soil and dependent on one particular lord of the manor, or nearly so; for if he cannot suit his purse to the bailiff's demand, he has little chance of being accepted as a tenant on other estates where he is unknown, unless indeed he has some peculiar superiority to the average of his class. Speaking, therefore, of the cottiers collectively, we may say that their ability to earn a living hangs entirely on the good-will of their landlord and his bailiff. If ejected from their potato ground, it is true that some of them may find work for wages with neighbouring farmers; and if such farmers were numerous and wealthy, the pressure on the cottiers would be soon relieved. But when (as in Ireland) large districts exist, in which farmers rich enough to pay wages all the year round are very rare, and in which no great resource is found in manufacturing towns, there, it is nearly the truth to say, that a man regards it like a loss of his livelihood to lose his patch of land. He consequently *finds it worth his while* to give as much for it as he can give without starvation, rather than not get it; and will *promise* to pay more for it than it is possible for him to *perform*. The landlord is able to extract out of him so much as barely to leave him the means of vegetating, and, over and above, to keep him permanently in arrears of debt, by accepting

from him engagements too high to be fulfilled. In consequence, if the tenant by intelligence and industry in more favourable seasons begins for a moment to get his head above water, his incipient prosperity brings him no sensible advantage; for it is at once absorbed in paying off or lessening his debts. It swells the coffers of the landlord, but does not reward industry in the tenant.

Where the use of land is thus manifestly essential to *the life* of the community, it is an obvious maxim of political justice, that Rent should be limited by law; old custom giving a rough index to the reasonable amount. The condition of things is Feudal, and the principle also of rent ought to be Feudal. But the calamity of Ireland has been, that we have transferred to her the principle of Commercial Rent, determined by competition, which is just or expedient (if at all) only in a much later stage of industrial development. Thus, in Ireland poor laborers bid against one another *for land*, just as in England *for wages;* in which the Irishman has had a two-fold disadvantage: *first*, that the land, for which he competes, does not grow larger with time, while the Capital which is to pay wages to the Englishman is perpetually increasing and has no limit; *secondly*, that the very misery of the Irishman has led to a far more rapid increase of the population. In such a state of things, cottier-rent is paid out of daily industry, perhaps out of harvest wages earned in England, not out of the Irish soil, and it is guided by no other law than that of swallowing up the whole result of industry, *minus* what is essential to sustain the lowest physical wants of the laborer. This is exactly like the state of slavery, or the condition of domestic animals. The cottier, the slave, the horse or ass, must all be fed and sheltered; whatever beyond this their labor produces, belongs to their master.

In the deficiency of potato grounds and of farm wages experienced by the Irish cottier, some relief was sought in the system of *conacre*. Farmers who are not able to pay money wages underlet a patch of ground ready manured to a destitute peasant, who promises money-rent for its use, but in fact expects to cancel his money-debt by working it out for nominal wages. If a large number of laborers were not thus provided for, the pressure of their competition for cottier land would assuredly become far more severe. But though the market is of course somewhat eased by this supplementary system, it would be an error to infer that the peasant who tills land on conacre is better off than one who has a potato ground from the superior landlord.

Some indeed are fond of attributing the miserable state of the peasant to *middlemen*. No doubt it is a sad aggravation of difficulty, when, by a series of contracts, so many persons have a *partial* right as landlords, that no one is responsible for evil or able to introduce improvement. But, as regards the absolute sum extracted from the tenant as rent for the land which he is to dig, it does not appear that there is any advantage in dealing with the head landlord (that is, with his bailiff), rather than with a middleman.

Such, however, is the one extreme sort of Rent,—extracted out of the necessities of the workman,—miserable to him, and not proportionably gainful to the landlord: for the labor of such tenants is inefficient, and their ability to pay small. On the other extreme is the Rent paid by a capitalist farmer, who takes a lease of twenty-one years. This is paid, not out of his necessities, but out of his abundance, and (may-be) the superfluity of his gains. These depend principally on his capital, not on his personal labor; or at least, it is the labor of his mind, his management and superintendence, that is to be remunerated. Suppose him to have £5000 employed in his trade, and that on a particular farm, after paying all outgoings except Rent, there remains to him £1050. Suppose, farther, that in the open market of the world men of equal intelligence, and having about the same sum, and devoting the same amount of effort, would expect to make 12 per cent. of their money, or £600. He will thus have a surplus of £450 as an advantage presented to him by the farm: consequently, if he pay this as rent to the landlord he will not be worse off than traders or manufacturers in general.

The case, as here put, can never describe the exact form which the bargain takes in actual life:—for as the landlord cannot know what exact sum a farmer means to lay out, he cannot calculate the rent hereby. A clever farmer tries to get land that has not hitherto been well tilled, and which therefore has not hitherto been able to afford high rent. He offers an advance of rent, provided that the farm is secured to him for a long term, as twenty-one years: after this it is worth his while to sink a part of his capital in the soil, by manuring, hoeing, scarifying, and other operations, in the expectation of recovering it after five, six, and more years. Such processes confer on the land a new fertility, and enable the farmer to remunerate himself in spite of his payment of rent. This is popularly called High Farming.

But in Political Economy it has been usual, since Malthus and Ricardo, to illustrate the subject of Rent, by the very opposite

case; that of Low Farming, and from the consideration of *wheat-land only*.—Suppose (it is said) a first set of American farmers to have occupied *all the best land* of the country, and that it produces five quarters of wheat per acre, with very careless cultivation. Suppose after this the new settlers are forced to take up with *inferior* land, which with the same trouble yields only four quarters per acre. We may then, without economical absurdity, imagine the occupier of the best land to let it to some one who would be willing to pay the surplus one quarter per acre as rent. Let the increase of population go on, until the demand for food and rise of price makes it worth while to cultivate still *worse* land, such as yields three quarters per acre: then those who possess the second sort may receive as rent one quarter per acre, and those who have the best land may get two quarters as rent. And so the process may continue; the worst land cultivated will pay no rent, and the best will pay as rent its excess over the worst.

This may be not uninstructive, as illustrating how the successive depressing of the average gains in an agricultural community tends to generate and increase Rent; but it is very untrue as a representation of the real state of an advanced country. That the really best land is *in general* that which is first cultivated, is wholly unproved, highly improbable, and flatly denied by American experience. How can the first colonists know or guess what will best produce wheat? Perhaps all the best is hidden by timber and inaccessible, or needs diluting by lime and light stuff. Besides, Ricardo assumes that wheat is the only agricultural product, and that the value of land is to be measured by capacity of producing it. But this is an entire fiction. There are such things as dairy farms; there are market gardens, orchards, vineyards, copses, there are mulberry trees for the silkworm, there is flax, barley, oats, and in hotter climates an infinity of other productions. It is incorrect to call land absolutely best, or absolutely of the second, third, fourth quality, merely by considering its capacity for wheat. A piece of thin soil quite unproductive of wheat, might chance to bear grapes of so exquisite a flavour that the gains of the planter would surpass those from the best wheat land of the same size; in which case the vineyard will pay a high rent. Nor is this all; but the more productive is the wheaten land of a country, and the more abundant the supply from it, the more valuable does the other land become which can produce higher luxuries. Following the letter of the above theory, if there are three sorts of land capable of producing with equal human effort six, five, four quarters of wheat per acre, and the cultiva-

tion of the two better sorts suffices to feed the community, then the best pays one quarter per acre as Rent, the second sort pays nothing, and the worst cannot be cultivated. Yet, in fact, this which it calls the worst might pay for dairies as much rent as the best for wheat. And if a great improvement in agriculture, outrunning population, were to cheapen the wheat, the dairyland might begin to pay by far the best of all, and portions of the second sort of land, if cultivated for flax or orchards, might chance to yield higher Rent than the best wheatland.

If we recur to Adam Smith's definition of Rent, and farther ask, how much a capitalist farmer *will* "find it worth his while" to pay, the reply is,—"He will be willing to pay so much as will leave to him the average gain expected *by men of his class*, his education, and his capital:" but it remains uncertain whether this is identical with the average gains of manufacturers, shopkeepers, or merchants of similar standing. How the case may be with the few leading capitalist farmers, it is hard to conjecture; but, looking to the majority of those farmers who are not indigent and who must certainly be called Capitalists, we must judge that the love of a country life makes them (on a permanent average) satisfied with *less* gain than might have been expected in other businesses from the same capital. Nor is this at all to be wondered at, when we compare the ease, and almost idleness, of many farmers with the indefatigable attentions of tradesmen in the towns. Many a farmer finds time to hunt and to course habitually, and give but a fraction of his time to active business.

The fresh air of the country is healthier than a close counting-house, the facility of keeping riding horses is an allurement; and while a disproportionate number are ever flocking into the farmer's business, those who are brought up as farmers feel an insuperable repugnance and inability for the slavery of a town life; hence there is no relief to their numbers but by emigration. Assuming then that on the whole a farmer's capital receives less profits than those of a shopkeeper of equal wealth, we have two propositions, which stand thus:

A Farmer's average profits are *less than*, but *rise and fall with*, the average profits of Shopkeepers, &c.

Landlord's Rent is equal to Farmer's total gains, *minus* Farmer's expected average profits.

Hence, if other things remain unchanged, the Rent is highest when Average Profits in the different classes of the community are lowest. Evidently, Rent rises highest, where there is a rich community of customers, large capital spent on land, and *a low*

rate of common profit: all these conditions are fulfilled in England, and seem likely to become more intense with the progress of time.

Out of this rise the interesting questions,—Is rent a burden on the community? Is it a payment extracted from purchasers? Is it an element which increases prices?—To answer these questions I must devote some attention.

In one sense, undoubtedly all Rent received by private persons for no value bestowed by them on the land, is a loss to the community; namely, it is a public fund which has been unthriftily alienated. But it may so happen, that, in comparison with a centralized despotism over land, the Political advantage of private possession overpowers the Economical disadvantage, as I have already observed concerning the Permanent Settlement in India. If the central government in any large nation has possession of the land so as to be able to raise rents and eject tenants, it will either give intensity to despotism, as in India, or lead to jobbery as in regard to the Public Land of the Romans and our own Crown Lands. Still, these are not the only possible arrangements. Every parish corporation might hold its own lands, and every town; and a certain percentage of their rents might be payable to the Crown for general government: yet the management might rest with each corporation; and with a free municipal system, if there *were* some jobbery, still much would be saved for public uses, where there is nothing saved now. In some of the Swiss cantons this is, I believe, substantially the mode of letting land, the corporate canton representing the landlord. Until some such arrangement be proved impossible in England, I think it must be admitted that we have unwisely alienated a vast and ever-increasing revenue; and of course the community is taxed to make up for the loss, or otherwise goes without advantages that might have been had.

But to maintain this, is not to maintain that Rent raises Prices. It may be, that because Prices will and must be high, therefore there is Rent; and that a mere abolition of Rent by law would not lower Price, but would only transfer the Rent from the landlord's pocket to the farmer's. This is the general belief of English Economists, since Malthus and Ricardo. It was assumed, erroneously, I think, *that all the land was cultivated which at existing prices it was worth while to cultivate, including that which was so inferior that absolutely no rent could be paid upon it:* if, therefore, rent were abolished, no more soil could be tilled, no more food could be produced, and prices would not fall. "The farmer would appropriate the rent which the landlord takes now. Rent, there-

fore, is an effect of high price, but in no respect a cause." It was inferred, that the power possessed over the soil by the landlords was not an infliction on the consumer of agricultural produce.

I fully admit that the monopoly of the soil possessed by our landlords has been so broken down since the freer importation of foreign food, that henceforward the English *provision-market* cannot be much affected, in the long run, by any faults or caprices of the rent-owner. But as a question of science, or indeed of history, we may ask, "May not the landlords of a limited and well-peopled island raise prices in the market? and did not the English landlords do this before 1846, by their power of insisting on Rent?" I think they did. Our enormous increase of consumption in 1848, 49, 50, shows that we were previously underfed, and that prices were forced up by the deficiency of supply. These high prices (it is urged) *caused*, and were not *caused by*, high rent on wheaten lands: granted; but, if I mistake not, it was the landlord's power of restricting cultivation that kept the supply deficient and *sustained* the high prices,—not, indeed, to the full, yet considerably. The Ricardo argument turns on the assumption that the power of demanding rent can in no case of real life diminish supply. But why not?

There are very considerable tracts which would immediately have been cultivated if no rent could have been demanded for them, but which were artificially kept vacant, either because landlords could let them advantageously as shooting ground, or because they prefer the pleasure of seeing a romantic wilderness to the petty and nominal rent which alone they could get by allowing them to be cultivated. (For the present I take no notice of Tithes.) Now if this be admitted, it will follow that a free right to cultivate without rent even the tracts hitherto wild would at once have led to a larger supply of food. In fact, if the abolition of rent had been universal, the lowering of price from the increased supply might not induce the farmers of the old land to lessen their production until the fall had been very great; yet *the new land would quickly improve by cultivation;* and the appetite of the public has been shown equal to devour an enormous increase of quantity.

Much more does it seem probable that this increase of supply would follow the destruction of the landlord's power, if the effects of spade husbandry and small holdings be considered. Since 1828 it has become notorious that landlords can extract three or four times as much rent for small *allotments* of land, as any farmer would pay; apparently, because so many poor families

can cultivate these out of energies which else go to waste, as far as Economy is concerned. Spare hours, and aid from children and wife, suffice *without new capital* or diminution of other labor to make such plots productive. If therefore instead of rescinding the corn laws, we suppose, for argument's sake, that the land had been made free to all, this would have increased the quantity and have lowered the price of the most necessary food, just as foreign importation has done. The power therefore of insisting on rent seems to me to *tend* to make the necessaries of life dearer. It enables landlords to tighten their monopoly by keeping land idle.

Still more clearly does it seem to be true, that Building Rents are often a burden on the community, especially in the outskirts of towns. In the centre indeed of a trading town, near the Exchange and the Post Office, land is necessarily so limited and so coveted as a means of gain, that a high house-rent could perhaps always be obtained; and if the ground owner is not allowed to take it, the builder will get it. In this instance the ground-rent is an effect, not a cause of high price. We cannot murmur against the existence of such ground-rent, however high, but only at the scandal of its having been wantonly granted away to private persons, instead of reserving it by law as a town property, or buying it for the public in an early stage. But on the outskirts of towns the land is far more extensive, and need not be dear. Yet, even if there be plenty for all, still when large strips belong to single landlords, their monopoly enables them to force prices up, especially as the principal houses on their ground *are built for enjoyment, not for trade.*—For instance, in London, if instead of a single nobleman possessing a large area of land, say from Russell Square northward, builders had been free to erect rows of houses (in certain approved directions) without liability to ground rent and *without forfeiting the houses themselves* (as they do now) when the ground-lease terminates, the builders would not have been able, fifty and a hundred years ago, to strain up the prices to the heights they actually have reached, and so appropriate to themselves what the landlord has now swallowed. For if they had attempted this, the abundance of building land would have tempted and enabled other builders to undersell them. Thus prices in past generations would have ranged lower, and when, through the increase of population, the demand increased, other things remaining the same, the population would have spread, just as now, on to more and more remote areas; with the sole difference that house-rent would be lower, first, by the amount of ground-rent, secondly, by the fact that the

builder would no longer part with the house to a stranger after one hundred or sixty-three years.

A perfectly similar case to this is that of Sea Side ground-rents. Some traveller who loves the picturesque discovers a pleasant line of coast, a mile or two long, where sea and rock or mountain blend delightfully. He reveals his secret to a few friends in an inland populous town, and they go together to spend some summer weeks there. The report of the beauty of the place spreads: the visitors need more accommodation than the rude scanty houses afford them, and builders plan to erect new ones. In steps the lord of the manor, and demands of them not only ten times as much ground-rent *as was ever before dreamed of*, but also that the houses themselves shall become his, when the building lease ends. To such terms, of course, the builders could not accede, unless they were able to count on high payment from the visitors. Now comes our question: Would they in any case have extracted this same payment, even if there had been no landlord? would they have merely kept for *themselves* what they now give to *him?* I think NOT. For a couple of miles of coast, if open (under a few restrictions) to all builders, will hold so many houses, that, unless it were of supreme and unparalleled beauty, it would be long indeed before the pressure of visitors would force the prices up. The builders could not aim at inordinate gain without the certainty of stimulating building beyond the demand; and it is not likely that any such greediness would be attempted. The builders would seek (then, as now) to set their prices so as to get immediately a handsome average profit, and that is all. But the landlord artificially increases their costs, and thereby throws a new charge on the public.

A reply is attempted, by saying, that "*ultimately*, when the pressure of visitors had begun to exhaust all the favourable sites, the builders or house-owners would extract and appropriate the same rent as the landlord now." But there is a fallacy in this word *ultimately*. True, IT CONCEDES, that *until* the ultimate state comes, our argument is correct; which is in fact all the concession that we need; for there would be *no* such ultimate state anywhere within prospect, but for the power of landlords. Whenever an incipient rise of house-rent were discerned, some new watering-place would begin to be frequented, and the flow of visitors would be diverted; but *now*, there is no such relief; for every place has a lord of the manor, whose expectations and demands rise, the moment that he perceives a chance that his strip of coast may attract visitors.

It therefore appears to me that Rent, involving always more or less the principle of monopoly, is apt to raise prices, and fall on the consumer, to a degree far beyond that which English Economists since Ricardo have been willing to admit. The landlord in fact appropriates to himself not land only, but pure air, pure water, the sight of the sea and the mountains; and taxes all who desire to enjoy them.

But I return to Agricultural Rent. It has appeared that there are in theory *two extremes* among Rent payers:—the cottier, who has no capital, who needs land for life, and who pays out of his personal earnings; and the capitalist farmer, whose gains we reckon from his Capital, his personal labor not increasing much with his capital and its gains. But, if I mistake not, a majority of our actual farmers lie between these two extremes, and partake of both. Many of them have capital so small, that its profits bear too small a proportion to the salary of their personal service: they have little credit, to enable them to borrow the capital of others; the law of distraint makes it dangerous to lend to them; their Capital, their knowledge, and their experience, are suited only to *low* farming; and as they are quite unable to turn to a town life, they look on a farm as necessary to their existence, nearly as much as the cottier looks to his potato ground. Hence, except where knowledge and connexions lead them to the generally painful resource of emigrating, they consent to pay any rent which will allow them to live in something like their usual habits, even though they get no appreciable return for their capital, but barely what might be their salary as bailiffs. To how large a proportion of English farmers this description justly applies, it is not essential for me here to decide. It suffices to indicate that this is the probable and ostensible position of a large number, *between* the two extremes.

The mixture of the two systems, Feudal and Commercial, mark the present as a system of transition, and constitute its extreme difficulty. While things so heterogeneous lie side by side in the market, legislation might increase the confusion, for it can proceed on no clear principle. To go back towards Feudal relations would be a futile attempt, if desirable; and if the relations must be Commercial, it remains that the farmers must fight their own battle, as all other manufacturers do; and if their numbers are at present redundant, so that they ruin one another, emigrate to the colonies with their capital before it is lost.

[1889. When I wrote the above, I had not heard of the suggestion nor conceived the thought, that the Land should be

divided into pretty equal portions, and a LAND COURT in each should adjudicate and receive the Rents under fixed public regulations. This now gives the State a new facility for resuming the possession of the Land without harsh severity to Landlords who inherit legal injustice.]

The Law of Distraint should be removed, as defrauding a farmer's other creditors in favour of his landlord, as increasing his difficulty in borrowing money, and as accustoming the farmer erroneously to regard his debt for rent as something *more sacred* than other debts. The Game Laws are also a monstrous and indefensible infliction on farmers; but until they unanimously take courage to claim their abolition, they will not be abolished.

Rent, according to Ricardo, is the excess of gain yielded by good or favourably situated land over the worst or worst situated of all the lands, the produce of which is sold in the same market: whence it follows that *the worst land pays no rent.*—When to this it is objected that the inferior land not only does not *cause* rent on the superior, but limits its amount, we are told that there is *another* view of Rent equally true and still more instructive; viz., that Rent is the excess of gain yielded by the most profitable of the capitals applied to land, over the least profitable.

This theory which the English School of Economists have adopted so precipitately as ascertained truth, seems further to require the concession of a great many postulates, most of which are approximately true in general trade, but all of them false as applied to agriculture. Such are the following:—

1. Every producer distinctly knows how much he gains and how much he loses on each separate article, and will try to produce more of the profitable and less of the less.

2. Every producer can find other investments for his capital than his own business if parts of that business are less profitable than ordinary trade.

3. Every producer can get an increase of capital by loan or partnership, if his business is more than usually gainful; or if not, yet an unlimited number or rival producers can enter it.

4. Every producer can invest capital in his business, with a fair prospect that its gains will be his own.

5. Capital moves so freely from trade to trade, and from county to county, that there cannot be a permanent difference of profit to it in different trades or counties.

6. Every producer can use all the parts of his premises for whatever purpose he pleases, and arrange the processes in whatever way he pleases.

7. Every producer can abandon his trade and carry his capital elsewhither, if he finds too many rivals in it. (This is but very partially true in any trade; and the undue assumption vitiates many arguments of Economists.)

8. Rent is estimated, not as a necessary item in the Cost of Production, but as a surplus which can be afforded without loss.

Only our first-rate Capitalist Farmers, I apprehend, really thus estimate it. The majority deal with the Rent of a farm, just as a shopkeeper with his shopfronting and his taxes; *i.e.* treat them as *inevitable and fixed expenses.* The farmers have notoriously expected Parliament so to manage the price of food, as to enable them to pay rent, instead of claiming that rent should be adapted to their surplus.

While in neighbouring farms difference in agricultural skill is such, that they might belong to different centuries, it is idle to regard them as organic parts of one self-regulating system. If a manufacturer differed from a rival manufacturer in skill and in attention both to his ledger and to the processes of his art, as much as farmer differs from farmer, we should safely predict that the ignorant and careless manufacturer would be ruined. But we know this has not necessarily been the case with the farmer. The economic forces have been artificially fenced out from agriculture; and to apply the Ricardo theory of Cost Price and Rent to English agriculture as it has been, and indeed still is, seems to me like applying a general theory of the tides to the level of waters held up by locks.

I may add;—when the Ricardo school deny the possibility of a permanent scarcity-price of wheat, they are obliged to argue that "*if* it existed for a while, it would necessarily stimulate production to such an extent, as presently to lower the market, until, on every sort of land, the worst remunerated capital received only the lowest profit for which it could be employed." But this is to assume that capital flows freely from trade into agriculture. A commoner result is, that the farmer, having no secure tenure, cannot borrow money; hence *unusually high gains do not draw large capital into his business, but only make him less resist the exaction of high rent;* unless, indeed, the price has risen so suddenly and so high, as to enrich the farmers before their leases end, give them a new credit with moneyed men, and enable them to pay as high an interest as the trading community. This extreme case *will* stimulate cultivation, no doubt; but, short of this, it may seem that low prices are stronger persuasions than high, not only to economic, but to productive cultivation.

But besides the landlord's rent, there is Tithe or its equivalent to be paid: and this very important subject needs special explanation.

In a rude state of agriculture, a tithe or some other fraction of the produce is (as I have said) the most natural and unoppressive kind of rent. One who cultivates with his own hands rich, perhaps virgin soil, by merely scratching it and casting seed, may reap a most abundant harvest. To such a farmer it is no hardship to yield up even a quarter of the produce for rent. Suppose his seed to be multiplied forty-fold: the landlord or State which demands of him one-fourth part, still leaves him an increase of thirty-fold; and as his tools are few and rude, and he has nothing to pay in wages, an ample remuneration remains to him.

But the poorer the soil and the more need the farmer finds of spending capital upon it, for agricultural tools, cattle and cattle food, for manure and for men's wages,—the greater the burden of a tithe becomes. Suppose the expense of these things, added to that of seed, so great, that, after deducting them all from the value of the crop, the farmer finds every £100 of capital which he possessed at the beginning of the year to be turned into £110. If, now, the landlord or the State were to exact of him one-tenth of his gross produce, this would take away £11 out of his £110, and leave him £99: so that, instead of gaining £10 per cent., he would have lost £1 per cent. by his year's labor. The tithe, you must observe, is not levied on his clear profit, but on his gross produce. The vastness of the difference may be best understood by an actual illustration from high farming.

YEARLY EXPENDITURE.*	£
Rent	843
Wages	1690
Manure	686
Tradesmen's Bills	353
Taxes	150
Seed	150
Insurance, Losses, &c.	100
Grains for Cows	100
	£4072

* In the real bill from which this is extracted, Rent and Tithe are blended, and the farmer does not tell for what he sold his crop. The charge for Tithe being no longer a real tithe, I have been forced to alter this part of the bill, for the sake of illustration.

Imagine the farmer to sell his total produce at £4560, which gives him a profit of £488, or 12 per cent. on his capital expended. But now suppose a demand of tithe is made: this is a tenth of the total £4560, not of his gain £488; thus £456 is deducted from him; which will leave him only £32 as the fruit of his year's labor and profit of £4072.

To make it worth his while to cultivate at this rate, if he is to pay tithe, it is essential that his total produce shall sell for £5066; then the tithe £506 being deducted, there remains for him £4560. By following out this principle, it is easy to form an idea of the mass of land which a tithe may exclude from cultivation. Suppose that Capitalist farmers expect 10 per cent. for their money (and if any other percentage be assumed, it will not affect the general result),—we then see that on tithed land they will need to get nearly 23 per cent. before it is worth their while to cultivate. For of the £123 which their £100 produces, £12 6s. is taken away by the tithe; leaving little more than £110. But if the produce becomes as small as £122 for every £100, the farmer's portion is LESS than £110, which (we suppose) is the least sum that he ought to receive. Hence, even if no rent be asked of him, his liability to tithe might keep out of cultivation all the land which would return between 23 per cent. and 10 per cent.; surely a very large fraction, until dense population produces scarcity of prices.—A similar computation, however, applies even to land which *is* cultivated. For it is manifest that the very best land has some limit to its productiveness; hence when we draw near to this limit, our efforts meet with less and less reward. Suppose that a field can by no known skill and labor be made to yield above 20 quarters in the very best season: we may then be sure that the last 5 quarters are extracted from it with disproportionate effort. Possibly 10 quarters are obtained economically enough; but 5 more with greater expense; 3 more with still greater; 1 with greater yet, and the last most expensively of all. We now see, that if there were no tithe, the farmer might go on to spend as long as his money returned 10 per cent., but the tithe will not let him except when it yields nearly 23 per cent. It therefore forbids even on old lands all application of capital which would yield between 10 and 23; supposing 10 to be the least which contents the farmer. Thus the tithe weighed heavily on high farming.

In very low farming, the soil does so much without human aid, that a large fraction of the crop is easily spared; but in high farming, where the ground is little else than a place on which

the farmer deposits the fructifying materials which he has purchased, the tithe is really taken from his capital. Hence no long time back, before the Tithe Commutation Act, a farmer who put lime or bonedust or other manure on his fields used to look bitterly at every cart which carried the valuable load, and think or say, One-tenth part of that load is to be taken away from me by the parson! There is an obvious justice in making the rent proportional to the produce, when produce measures the natural fertility of the soil; but as obvious an injustice in it, when the produce is increased by the capital or labor and skill of the tenant.

The question now rises, "Who bears the burden of tithe?"—We do not sufficiently know the details of the original history to answer this, in respect to early times. Four possible answers to the question might be given: "1, the landlords; 2, the farmers; 3, the consumers of agricultural produce; 4, the property-holders in general; namely, if wages were raised with the price of food, and profits therefore fell, or prices rose." Tithes are so very old an enactment, that the last solution would probably have been the nearest to truth, if *all* the land had been tithed, and no foreign produce sold in our market.— Suppose tithes *suddenly introduced;* farmers would unanimously demand ten shillings instead of nine in every sale, to indemnify themselves for losing one-tenth of all produce. If *all* consumers were rich enough to pay this, consumption would not be checked. Then, the whole expense would fall on all except the farmers; but the laborers (if the law permitted) would struggle for compensation in wages: not the farm laborers only. Thence comes an effort to raise all prices; and if the landlords can lawfully raise rents, they too will struggle for it. I suppose, all the trades *least necessary* would suffer most, *if* the mass of the people managed to feed as well as before. If a less costly food must become commoner, or the poor eat more stintedly, produce would fall in price, and rents might at length be affected; so that the landlord, like capitalists, would bear a share of the tithe. Which of all these would happen, I do not think we have the means of deciding.—But when the system was more than eight centuries old, and about *half* the produce sold in our market was tithed,—the burden undoubtedly fell partly on the tithed landlords (whose rent was depressed by it), and partly on the whole property of the community, who paid* rather more for

* Ramsay and Mill offer proof that a universal proportionate increase of wages would not alter prices. Nor would it, I believe, if all things sold were equally necessary. But this Postulate is widely untrue.

everything or else got rather less profit in every business, because the cost of maintaining workmen was greater. Tithes being a system spread over all Europe, we could not get light on these results by contrasting two independent markets similar in other things, but differing in tithe only. But in the former half of the past century England seems to have enjoyed so much abundance, that no one can say that the tithe then repressed eating, and fell on the vital powers of the laborer: it was clearly sustained out of the property of all who had any superfluity. The landlord of an untithed estate made the absence of tithe a reason for demanding higher rent; this assures us that if tithe had been rescinded, *other* landlords also would have been able to raise their rent more or less; possibly even to the amount of the tithe, aided by their semi-feudal position and by the slowness of the farmers. But ultimately, the rescinding of tithe must have brought about a disproportionate increase of cultivation and cheapness of food. In any case, I believe, rents would somewhat have fallen, unless new changes be supposed.

The only general conclusions which I am able to arrive at are these: If we fed exclusively on native produce, *all* tithed, and had continued to do so for many centuries, and were all well fed, —the tithe would be paid out of the superfluities of the whole community. If *part* only of the produce were tithed, the landlords of this part would get less rent, and the landlords of the untithed part more rent, than if there had been no tithe.—The larger the portion untithed, the more the remaining burden is taken off the shoulders of the community and placed upon landlord or farmer. Of course if the farmer had fair play, no part of the tithe could fall upon him any more than on other members of the nation, but whatever burden came on "the land" (as it is called) would solely lessen the surplus which is the landlord's rent.

Originally, no doubt, it was the Wittenagemote or Parliament of the eighth century which alienated the tithe from the landlord. I suppose *it was conceived of* as a diminution of *his* dues. No one imagined that it would or could fall on the farmer or on the consumer of agricultural produce; but it was regarded as a pious ordinance. In an age when all legal mysteries rested with the clergy, the illegality of bequeathments out of future crops made by private persons who had only a life-interest in their estates, was winked at. The piety of the deed was applauded. It first was voluntary and partial; and at length was made compulsory. Manifestly if it originated from private piety, this was a great usurpation. If any landlord of the tithe-free estates were now by

will to declare that the half of their gross produce should in future for ever be given to Durham University, either a Court of Equity, or at least a Declaratory Act of Parliament, would speedily over-rule such a settlement. But why ? Not because a landlord may not give his own property to Durham University, but because this landlord is giving away what is *not* his own, viz., the gross produce which the industry of future tenants may create on his estates. The *rent* is his, but not the *crop*.—If his will took the form of forbidding his successors ever to let the land without a covenant that the tenant should so appropriate the half of the crop, this would amount to prohibiting altogether the cultivation of the land, and for that reason also such a will ought to be pronounced invalid. Now, although it is not so manifest at first sight, it is no less true, that land may be kept barren and useless by a tithe, as well as by confiscating the half-crop; and that which is in some sense cultivated must be kept worse cultivated and partially barren, if tithe is demanded. If the bequest of tithe came from "pious founders" their piety was of the same tendency as to consecrate land in Greek fashion to the infernal goddess.

Our farmers and landlords began to understand the intrinsic mischief of Tithe from the time that the enclosure of new lands became general; and after fifty years' preparation of public opinion the Tithe Commutation Act was passed. Instead of a Tithe, each parish now pays the equivalent of a fixed number of bushels of wheat, barley, oats. Henceforward, the payment does not increase with the farmer's increase of diligence and expense; high farming is, therefore, no longer discouraged by it. On the contrary, now, any return to low farming is strongly forbidden by the commuted tithe; and this may be a serious aggravation of difficulty to the weakest part of our farmers.

1888. We now are surprized to hear of extraordinary Tithe (chiefly in Kent) on Orchards. The nation called for extinction of Tithe, without limitation. We seem to have been cheated, in profound ignorance.

LECTURE VIII.

On various Tenures of Land.—On Foreign Commerce and Emigration.

SECTION I.—ON VARIOUS TENURES OF LAND.

In my last lecture I spoke of Agricultural Rent generically, under two extreme cases, that of the Cottier, and that of the Capitalist Farmer, both existing in eminent types in the same Britannic kingdom. But over a large part of the world neither extreme is known; and I must briefly indicate other varieties in the tenure of land.

In North America the farmers have their land almost always in freehold, subject only to a moderate fixed money-payment in the United States, which is a tax or rent incapable of increase. Thus the farmer is virtually his own landlord, is not liable to dictation as to his processes, and is in general intelligent and enterprizing. As land is abundant, and water-carriage excellent, the farming is *low* and profits are *high*. No very unsuitable land is forced into cultivation. Hence the farmer can at once sell cheap, pay high wages to his few helps and get good profits; so the consumer, the wage-earner, and the farmer are all well off. This seems to be the most flourishing possible state of a nation. And as they have at once the rude abundance of barbarism and the transmitted mental culture of old Europe, there is good hope that prosperity in the Free States will be permanent. For, the ease of getting a livelihood enables the poorest to allow full time for his children's education; and in the United States the fear felt by the rich for an *un*enlightened democracy combines with the ambition of the poorest for their children's future elevation, to give efficiency to the public schools. I speak concerning the Free States. Hence in half a century more their lowest classes will be educated to a pitch that the world has never yet seen; and this is the only guarantee that they will not relapse into the state of the Old World, when their population has so increased that land becomes scarce.

In France as many as two-and-a-half millions of proprietors cultivate about half of the soil as freehold, in farms which principally lie between the size of five acres and eight acres and a half. The proprietors pay about tenpence an acre every year to

the Government. With a fine soil and climate, their wonderful industry makes them very well off; and where they are embarrassed, it is from secondary causes. Many, it seems, have purchased their land with borrowed money, have bought it very dear, and are burdened with a heavy mortgage. This must ruin their whole position. The coveting of land in such a people is an intense passion; and the little proprietor, as much as our English squire, is prone to the vice of borrowing in order to buy. Apparently the law ought to disallow all mortgages on landed estates below a certain magnitude or value, and all mortgaging higher than a certain percentage of the value. But the French law not only, like our own, recognizes all mortgages, whatever the absolute or relative smallness of the property, but over and above creates evil by strictly enforcing the *equal* subdivision of estates among children; to such an extent, that if several fields belonging to a father are of different quality, each must separately be divided between the children. A vicious doctrine of mercantile Protection meanwhile cripples the commercial development of France, and a centralized Government perpetuates political ignorance. There has been some controversy, of late, concerning the state of these French proprietors; and those who hate everything French have represented their state as deplorable indeed. Mr. J. Stuart Mill contends, that though the mortgages must embarrass many individuals exceedingly, yet as the *average* of all the mortgages is less than five shillings an acre, the burden is not absolutely a great one. There appears to be no doubt whatever, that French small proprietors and peasants of every kind are at this moment *immeasurably* better off than they were under Louis XIV., XV., XVI.; or that their state is an enviable one to an Irish cottier.

In Norway, Rhenish Germany, Holland and Belgium, peasant freeholds abound as in France; but there is no law of forced subdivision, the mortgages are not burdensome, and the cultivation is better; that of Belgium being celebrated for its excellence, in consequence of which *the worst soils rapidly improve and approximate to the best* In all the very successful cases of small properties, the labor of the family is unremitting; and apparently the most formidable objection to this kind of life, if it is to become widely spread in a nation, is, that it converts the wife and children into drudges, who have no time to learn or practise the higher arts which elevate and sweeten home.

In Italy a system of tenure prevails which we call the *métayer*. In it, the proprietor takes (about) *half* the gross produce as rent,

but at the same time furnishes the cultivator with the cattle and seed, in whole or in part: he also pays all the government taxes. If we compare him with the English landlord, he may seem to take rent in its worst form, since the half crop is far more formidable than a tithe; and the first inference that rises is, that this must be most hurtful to the cultivation. In old France the nobility paid no taxes, but threw all on the peasant: there, in consequence, the effect of the métayer system was seen to the worst; and nearly all English writers until J. Stuart Mill had no word to say in favour of it. But in Lombardy, Piedmont, and Tuscany, the united and ample testimony of MM. Châteauvieux and Sismondi shows that where there is a good moral understanding between the proprietor and laborer, the métayer system may produce results which English peasants would envy.

It is not fair to compare the métayer proprietor with the English landlord, and the métayer laborer with the English farmer: for to what then in Italy would the English peasant correspond? But the English peasant must be compared with the métayer cultivator, the English capitalist farmer with the métayer proprietor, and the English landlord with the Italian State-power which demands a land tax. To throw the taxes on the cultivators, would be like making our peasants pay the landlord's rent, which would oppress them however low it might be set. In this comparison, the English would approximate to the Italian system, if our farmers, in the first place, had a firm tenure of their farms, and were not liable to a rise of rent, except when imposed by the legislature alike on every farmer in the country;—if, secondly, the peasants were paid, not in wages, but in a fixed fraction of the crop, about one half being divided among them;—if, thirdly, there were an understanding what capital the farmer should contribute, what the peasant; if, lastly, the details of cultivation were managed by the peasants, the farmer giving occasional directions only, and feeling such confidence in their desire for the best possible crop as to dispense with elaborate superintendence.

No doubt, in such an arrangement the farmer puts himself somewhat in the power of the peasants; but he has the double advantage of no longer being subject to a superior landlord himself, and in having the bulk of his time free from petty cares. Hence he would assuredly feel that he was a gainer by the exchange. On the other hand, the laborer in this system holds his place by custom, and at any rate has a yearly tenure instead of being hired by the week. He is elevated into a joint proprietor

of the farm, and *has a direct interest in its prosperity.* Surely, therefore, *he* must feel himself better off than under the English system. And if the arrangements as to the joint contribution of capital by proprietor and peasant are judicious, and there is a tolerably good understanding between the parties, there is no reason why cultivation should not go on vigorously. In an ecclesiastical tithe, the tithe-owner, who is the sleeping partner, contributes no capital; hence the managing partner grudges to spend his own capital for the other's benefit. But in the métayer system the sleeping partner contributes probably more than half of the capital, so that the manager can never lose by any amount of activity, but may even carry off a disproportionate share of gold.

It is thus clear that the good or bad success of the métayer system depends on the judicious arrangement of the details. If, as in old France, the proprietor has all the airs of a nobleman, and is separated by a chasm of feeling from the cultivator; if feudal power enables the superior to throw off all burdens on to the inferior, to demand the maximum of advantage and yield the minimum of aid; the peasant will sink under the unfair load. But if the contract is judiciously settled, and the proprietor brings a fresh eye and a cultivated understanding to give suggestions and aid to the laborers,—the two parties having but one interest and his capital being risked as much as theirs,—to me it appears that such a system would produce results far more satisfactory to the consumers of food, to the capitalist farmers, and to the peasants, than those of English farm wages.

A friend of mine, unlearned in theories, economical or political, some sixteen years ago attempted cultivation in India. He with difficulty obtained some land from the government, and began by paying wages to his workmen; but after the experience of one or two seasons he found that he was cheated at every corner of his little estate, unless he was in perpetual activity to overlook the men, who were idle as often as they dared to be. Nor did he succeed by piecework; I suppose, because the *quality* of work is as important as its *quantity*, and is often difficult to test in agriculture. The amount of superintendence essential would have killed him in an Indian climate: besides, he valued his time for other purposes: he therefore changed his plans. Having obtained from Indian authorities a lease of thirty years, he went to the expense of constructing a canal more than a mile long, with a tank, to receive the superfluous water of a river in the flood season, and retain it for use in the drought. He altered the levels of his

estate so as to be able to irrigate the whole from his tank. He divided it into equal patches, of such a size that one family could cultivate each. He surrounded all with a single fence, and let out the patches on a métayer contract. Each cultivator was to halve the crop with him. He was to afford seed (I think), carts, and other implements, and of course (what was most precious of all) *water:* he was also to pay every kind of government tax. On the other hand he exacted that *the bullocks should be the peasants' own*, as he thought that the animals would not be so well cared for, if they were his. With these arrangements both parties were well pleased. The industry of the cultivators increased as by magic; wives and children lent aid, and the little estate throve admirably. Of the métayer system I doubt whether my friend had ever read; for he related all this as an original invention of his own.

Besides the scientific questions concerning Freehold and other tenures, there remains a practical question concerning Large and Small *tenant* farms. I do not feel that it belongs to the science of Economy to discuss which of these is better, any more than what amount of capital shopkeepers ought to have. It is for Politics to lay down what power over the land individuals ought to possess. That being decided with a view to justice and expediency, then Economy has nothing to say but,—let that which pays best prevail. Yet I may briefly add that the progress of opinion is towards maintaining, *first*, that where it is worth while to cultivate inferior land, it is worth while to manure it well; *secondly*, that this implies a large quantity of cattle in proportion to the farm; *thirdly*, that cattle are most profitable if fed in stalls; *fourthly*, that this is done most cheaply if farms are not very large. The general result seems to be, that low farming may succeed well on large farms, but that in high farming moderate farms are best, only large enough fully to occupy the desirable machinery. Be this as it may.

SECTION II.—ON FOREIGN COMMERCE.

On casting a glance back on what has been said, we shall see that a right application of the common property of a nation, the Land,—joined with security and free use of all private property,—is essential to national prosperity. A certain abundance of land is also desirable, that there may be no inducement to grow food on unsuitable soils, with great loss of labor. But where land is naturally limited, two resources open themselves to a growing nation, Foreign Commerce and Emigration, on both of which I must speak briefly.

So great is the power of Sea Carriage, that it may be said to multiply a small country into a great one. The internal conveyance on a great continent is seldom so easy and convenient as from coast to coast: and even where railways facilitate the transit, the expense is possibly greater than of a sailing voyage ten times as distant. Moreover, by Importation we can take advantage of diversity in climate as well as in soil, so as to make each land bear what it bears with greatest profit.

Who then is to find out what exports and imports will best promote our interest? In past days, the routine-doctrine of our statesmen said, The Government. But few Englishmen now need to be told, that questions of trade can only be solved by tradesmen. If the Government is to dictate what we are to buy from Germany, France, and Russia, it may as well dictate what things Middlesex shall purchase from Surrey; and a huge system of blundering ruinous centralization must result. There is no other rule needed by London merchants in dealing with Frenchmen than in dealing with Irishmen. All that they have to say to the Government is what the merchants of France said to a French minister who desired to benefit them,—"We entreat *you to let us alone!*"*

No merchants in Europe, except those of Switzerland and Holland, and, in some sense, Turkey, have enjoyed this privilege. The meddling statesman was not satisfied with regulating *foreign* trade; he must also dictate what shall be the interchange of goods with *colonies*. Colonies might have been peculiarly valuable to Commerce, seeing how often War interrupts intercourse with foreign States; but experience would rather show that the political inferiority of the Colony is a hindrance, and that its similarity of language and manners is most useful to a mother country, *when joined with Independence*. Certainly our commerce with the United States of America would not have increased as it has done, had they remained subject to the Crown of England; for they would not have been allowed to manage their affairs so intelligently.

The baneful influence of the old "Mercantile Theory" displayed itself towards the English and Dutch colonies as distinctly as towards those of Spain, although the despotism of Spain made its enactments more galling. Spain had her "Laws of the Indies" to torment America; England her Navigation Laws, begun by Cromwell to ruin Holland, and kept up to vex all nations. Nearly

* This celebrated maxim, *Laisser faire*, must be strictly confined to Political Economy, *as contrasted with Politics*. To Politics it is hard to imagine how any sound mind could think of applying it. There has been some blundering here, and, I fear, still more disingenuousness.

every colony was forbidden to do exactly the things which it was most her interest to do, and was commanded to traffic where it was not her interest. In these enactments the most partial and petty influence often predominated. It is related that the Mexicans were ordered to root up all their vines, because the vine-growers near Cadiz complained to the court of Spain that Mexican wines injured their trade. The English Government was never so ruthless, but it was often as narrow. Not to quote recent instances, which might seem to savour of party-politics, I may refer to King William the Third's solemn promise to Parliament, that he would do everything in his power to discourage the woollen manufactures of Ireland. Of course it belongs to the Deliberative Council of a nation to consult and decree for the Public Weal; therefore it may forbid the importation of things noxious, as *Poisonous* Plants, *Dangerous* animals, insects, compounds or liquids or explosives. But to exclude articles confessedly harmless, pleasing, or nutritious, is quite another matter.

In all these matters English legislation had a grotesque sincerity of its own, for it plagued England to the full as much as the colonies or the foreigners. The first shock to it came from the revolt and independence of the United States: after which we no longer had the same monopoly on the high seas; and our Navigation Laws became more and more abortive. Smuggling, which had virtually overthrown the Spanish code on the American shores, next gave aid to undermine the English system: Mr. Huskisson, aided by the argument of the smuggler, brought about a considerable relaxation in our laws of trade twenty-five* years ago. But the event which has finally determined the return of England to simplicity and justice, is, the abolition of our Corn Laws in 1846.

A question which very severely tried the principle of Free Traders, occurred during the struggle for that abolition. The manufacturers who most desired general freedom, felt nevertheless a natural and great anxiety concerning the exportation of Machinery. While it was forbidden to us to buy food freely from the foreigner, it seemed a fearful thing to allow our machinery to be sent abroad, and thereby raise up rivals to our hard-pressed manufacturers. But it was found practically impossible to define what was Machinery. *Bits* of machinery were sent over in different packages, so that in spite of our prohibition the foreigner got what he wanted. It was farther pleaded to be unfair on the

* Printed in 1851.

machine manufacturer to forbid the sale of his goods, and that no one had a right to say what magnitude this trade might assume, if left unfettered. The free exportation therefore was at last authorized. Our manufacturers offered no opposition; but, instead, braced their minds more intensely against the arbitrary laws which restricted the importation of foreign food and other raw produce.

The case of Sugar may deserve separate mention. Our West Indian Colonies in which we had suppressed slavery, pleaded that it was unfair to expose their Sugar to the competition of Brazil, which raising its Sugar by the labor of slaves to whom no wages were paid, could naturally undersell them. The Englishmen who had struggled against slavery felt great weight in this argument. But Lord Palmerston tore off the veil from it. The West Indians themselves imported and used the Slave Sugar of Brazil, and sent their own sugar into the English market where it fetched a higher price: therefore their zeal against Slave Sugar was a hypocrisy. On the other hand no Free-grown Sugar, whether from India or elsewhere, was sold anywhere until the English demand was glutted. Then into the vacancy left on the European Continent the Slave-grown sugar of Brazil was poured. Thus its refusal by England brought no advantage to the slaves. This argument overwhelmed our moral scruples.

But I must pass to the *Economic* question,—that is, to the damage which our refusal of these valuable products brought on our manufacturers, independently of the absolute evil of dear food. —The great power of our machinery is able to produce far more fabrics than England was able to purchase. A large foreign trade arose; sales steadily advanced; new and new works were erected, until a point was reached at which the foreigner, though desiring to buy more, was unable, because we refused his most important means of paying us,—corn, sugar, timber: and then indignation against us commenced. For instance, Brazil was an excellent customer to us; but became disgusted on finding that her sugar could be carried for sale to the West Indies, but not to England, so hereby her power of purchasing was crippled. It has been sarcastically said, that nations are not so angry about what they are forbidden to *get*, as about what they are not allowed to *part with: i.e.* they do not so much grumble that imports are refused to them, as that their exports are repudiated. I do not think that nations are herein quite so absurd as they seem, though undoubtedly the heat of blood confuses them. But they feel like a man who on going to buy at a shop is told that his gold has a

forbidden stamp and must not be taken, or that his banker's name is suspicious and no cheque drawn on him will be accepted. The refusal to take his coin may deprive him of something which he meant to buy; but he thinks far less about this than of the dishonour put on his money. Why? Because the former is a finite inconvenience, the latter an indefinite, I might say an infinite damage. Suppose the Brazilian merchants to have been simply refused English woollen cloth: well, they could get it in Germany. But if you refuse their sugar, you dishonour their greatest means of purchase; you declare their most valuable coin worthless, which is felt as a far worse wrong than the mere refusing of a single article. Much more were they aggrieved at our *reason* for it, viz., that it was slave-grown; which is like refusing a person's gold, on the ground that it is stolen property. They thought their national honour compromised, and they threatened retaliatory duties on our goods; thus wronging themselves still farther in order to harm us. Such enactments are called Hostile Tariffs. By their operation our manufacturers had lost some markets and were in danger of losing others. To leave off producing was to sacrifice all their works,—not to say, to starve their workmen: yet, if they went on producing, a ruinous glut* was inevitable, unless foreign markets could be kept open and enlarged. But our most important foreign customers had nothing in so great superabundance as the very things we refused to take—corn, flour, sugar, timber; and when we were virtually refusing their current coin, they were disgusted with the wilfulness of England, who said, "Buy of us, but pay us with anything rather than that which you have to spare."

This statement may seem to imply,—what Mr. Ricardo had the merit of establishing,—that foreign trade goes on in the way of *barter*. If a ship from Liverpool carries out cottons, silks, woollen, and iron manufactures to New Orleans or to Rio Janeiro, it does not indeed *directly* exchange these for raw cotton, rice, flour, sugar, coffee and precious wood; but the cargo is sold for money of the country,—it matters not what relation this bears to English current coin,—provided that the money be immediately laid out in buying on the spot a new cargo to bring back to England. In fact not much money passes, but it is managed by notes between merchants. But if the English ship is forbidden to bring back the produce which most abounds in the port where the cargo is sold, actual dollars must be received. To sell her

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* See Note in p. 125.

cargo is then harder, and, after it is sold, the dollars themselves must be carried off, and the ship perhaps return home in ballast. Thus more than half the profits of the voyage might be lost; and to prevent this, was a problem of perpetual difficulty. Nature herself dictates the cargo which each country shall yield. To affect to deal with Norway and refuse her timber, or with Russia and refuse her corn is a mockery. Yet, in fact, as there is no fear that Russia or Brazil will give us her goods for nothing, no illiberality on their part in refusing (for instance) to take our cotton, could ever be a good reason for *our* refusing to buy of them what we wanted. If they will not take our most convenient mode of payment, they will more or less cripple the trade; but whatever of it remains, remains because it is still gainful: and we cannot punish them by destroying it, except at our own expense. The plea of *reciprocation* was the last fallacy by which it was sought to forbid Free Trade; and the meaning of it was, to keep up the system of prohibitions after it was condemned, by teaching each State that no *one* must abolish it for fear others should not follow its example.

It is not obvious, yet it is true, that even if France produced *both* wheat *and* barley more cheaply than we, still an exchange between these things would arise with us, if France had a greater advantage over us in wheat than in barley, If she could produce 20 quarters of wheat as cheaply as we produce 15 in England, and 20 quarters of barley as cheaply as 18 in England, it might be profitable to send English barley to France, and bring French wheat to England; because a quarter of barley would purchase more wheat in France than in England, and a quarter of wheat would purchase more barley in England than in France. This was first clearly explained, I believe, by Mr. Ricardo.

To show by another example how foreign trade is determined by a difference between the *relative* values of commodities in two different countries, imagine that a pound of gold in England exchanged for 21 pounds of silver, but in France for 20 only. In that case a traveller from England to France will be wise in taking with him silver rather than gold. If before starting he changes all his gold into silver, he carries into France 21 pounds of silver for every pound of gold; but if he had taken gold with him and changed it in France, it would have brought him only 20 silver pounds for each pound. With 20 of every 21 silver pounds which he has we will suppose him to buy gold in France; then when he returns to England carrying gold, the result will be that every 20 pounds of gold which he had originally have been

turned into 21; or he has gained 5 per cent. by the double transaction, in perhaps only a few days.—In such a state of the market it would be so profitable to send silver into France and bring gold into England, that the quantity of silver in England would rapidly diminish and that of gold increase; and conversely in France. Thus silver would fall in England and rise in France, relatively to gold, until in both countries the two metals were at the same or nearly at the same value. I say *nearly* at the same; for a slight difference may subsist, if it be too small to defray costs, viz., profit, insurance, commission, &c.

This example will explain how an impetus is given to an exchange between two nations: but equilibrium is not to be always expected as the result. If England had silver mines and France gold mines, the perpetual production from these might lead to a permanent stream of silver out of England into France and of gold out of France into England. There might be the permanent ratio of 21 to 1 in England, and of 20 to 1 in France, if the production were as active as the trade. And this is the case with the exchange of English cottons or iron for French wine, silk and wheat. The fresh production preserves in each country the inequality which stimulates to exchange.

Thus it appears, that Commerce between nations is most profitable to both, when there is the greatest disparity in their facilities. England and Belgium are not likely to have so various and important interchanges as England and Russia; because the two first are in the same stage of generally dense population and advanced manufactures. Thus it may happen that the Colonies of a nation are by no means so well suited to traffic with, as some foreign power: in which case, the attempt to force a trade is a mutual loss. Even when the colony and mother-country are excellently suited for mutual commerce, the mother-country cannot be trusted to make regulations. Spain ruined her American possessions, and England provoked hers to revolt, when in neither case was there a real collision of interest.

Note on the *glut* named in p. 123.

* Everybody is aware that the gain from foreign trade would be annihilated if there were no imports; nor does any manufacturer who desires "a vent for his surplus produce" mean that he is to sell for nothing; but as he does not particularly care what sort of thing he gets in exchange, so that only it be marketable, his mind dwells more on what he wants *to get rid of* (for a consideration) than on the return-cargo which has no definite picture in his

imagination. This, no doubt, has led to a serious error in measuring the general value of trade by the total of exports. If all that we care for is the *total*, only the *imports* may be regarded: but if we are inquiring how far this or that mass of our society is likely to partake in those imports, the distribution of the trade is highly significant. Moreover, if certain exports be refused in foreign markets, our total of imports will be diminished.

I am truly surprised at the following passage of Mr. J. Stuart Mill, who seems to believe in the infinite flexibility of human action (book 3, ch. 17, § 4, vol. ii., p. 177):—

"Adam Smith's theory of the benefit of foreign trade was, that it afforded an outlet for the surplus produce of a country, and enabled a portion of the capital of a country to replace itself with profit. These expressions suggest ideas inconsistent with a clear conception of the phenomena. The expression, *surplus produce*, seems to imply that a country is under some kind of necessity of producing the corn or cloth which it exports; so that the portion which it does not itself consume, if not wanted and consumed elsewhere, would either be produced in sheer waste, or if it were not produced, the corresponding portion of capital would remain idle, and the mass of productions in the country would be diminished by so much. Either of these suppositions would be entirely erroneous. The country produces an exportable article, in excess of its own wants, from no inherent necessity, but as the cheapest mode of supplying itself with other things. If prevented from exporting this surplus, it would cease to produce it," [*with the sacrifice of all the fixed capital*, and, perhaps, of first-rate natural advantages,] "and would no longer import anything, being unable to give an equivalent; but the labor and capital which has been employed in producing with a view to exportation, would find *immediate* employment (!!) in producing those desirable objects which were previously brought from abroad. . . . . The *only* losers (after the *temporary inconvenience* of the change) would be the consumers of the heretofore imported articles, who would be obliged either to do without them, consuming in lieu of them something which they did not like so well, or to pay a higher price for them than before."

Truly if our trade with India, China, and other tropical countries, did us no other service but to bring in a few luxuries which our forefathers, not having known, never desired, it would be of little real importance. But we may rather believe, the great use is, to enable those among us who do not produce food and other first necessaries, to get a share in those necessaries. This it does, *by obviating our want of flexibility;* enabling poor men to continue in the practice of a trade which they have learnt, and richer men to reap continued benefit from works which they have established at great cost. This is why manufacturers so hail "the opening of a new market."

A sufficient condemnation of our Corn Restrictions was, that they made it simply impossible for an English farmer ever to export his surplus, after several years of extraordinary productiveness. What is the universal relief of other trades when suffering, legislation destroyed for him.

As to the "immediateness" of employment, the loss of two or three years may seem as nothing in the life of a nation, but they may be sufficient to starve hundreds of thousands of families, or produce political revolution and demoralization in the convulsive effort to hinder it.

SECTION III.—ON EMIGRATION AND COLONIAL LAND.

After two centuries of perversity, we have at length admitted the principle that every colony is to be guided in trade by its own perceptions of advantage; and, although much ill blood remains from past vexation, and the future is by no means free from danger, there is hope that England and her colonies may still learn peacefully how valuable each may be to the other. Concerning Trade and general Government there are, I apprehend, no real difficulties; none but what will be easily arranged by persons who desire justice, freedom, and union. But on the critical point on which EMIGRATION turns, viz., the disposal of Colonial Land, there seems still to be unsolved problems of much delicacy.

In fact it is not for Commerce that Colonies are specifically important. Commerce we may have, to any extent, with foreign and uncongenial nations: but Colonies are eminently a place for Emigration; and if the same language, religion, moral tone, and even political system, prevail as in the mother-country, Emigration is comparatively an easy thing. In every old country a great rigidity is apt to be felt; so much complication has come in to the tenures of property and the custom of trades, that it is hard to attain that *versatility* which is essential to the comfort, and almost to the safety, of every rapidly-growing community. A wide and desirable field for Emigrants prevents the partial glut which all such countries otherwise feel, even when demonstrably not over-peopled on the whole.

The Colonies of England are of two very different kinds. Those only are fit for emigrants which have a climate suited to our bodily constitution; especially North America, Southern Africa, and Australia. Our *tropical* colonies, which are peopled by men of foreign blood and language, are more properly called Dependencies. To these our *Capital* may migrate, but no large number of our population.

But now rises the question, *who* is to have the disposal of Colonial land, and *how* is it to be done? I do not pretend to see the way through this difficult subject, but I must sketch practice and opinions.—In old days the English Crown granted away by favour large masses of American land. These were kept, in large measure wild, by individuals, on speculation that they would at a future time prove valuable. When the United States arose as an independent power, this system was annihilated there, and the State land was sold at a moderate fixed price, subject, however, to a fixed yearly tax which is thought as high as new land will well bear. In Canada also we have tried to change

our course; but the enormous quantity there granted away to individuals now hinders the Crown* from selling with any such tax reserved, and puts great difficulty in the way of finding purchasers at all. In Australia we have introduced new and better methods; but as the land has not been fully surveyed (the expense of which would be overwhelming), it is highly unjust to expect persons to buy it from inspecting a map. Great dissatisfaction has been created in the colonies by the difficulties which we now interpose in the way of settling on the land. Sales by auction are strongly objected to; since the authorities, by selecting the *place* of sale, can virtually give the land away to their friends and friends' friends. And *where* should the auction be held? In London, to sell Australian lands? but who will buy land thus at the Antipodes without seeing it? Should then the auction be in the colony? But many who might be willing to bid for the land are in Great Britain.—It is a delusion to pretend that an auction yields the highest price that can be got: it may be nothing but a cover for fraud.—Once more (say the opponents), it is utterly unreasonable to expect men to settle down on new land with no choice of exchange. A certain freedom of occupation is reasonable, at least for a moderate time. Lastly, the colonial doctrine seems to be, that the land ought to be at the disposal of the purely local influence: but here in England we maintain that undivided colonial land is the heritage of the whole English people, and not the private right of that fraction of them which happens already to have emigrated.

An ingenious theory was started some years back by Mr. Gibbon Wakefield, which is now characterized by his name. He argued that the settlers were embarrassed by too much land, in consequence of which no one would willingly serve for hire, since all wished to be freeholders; a terrible evil this to the admirers of English laws of Land tenure! To obviate the mischief, he suggested that the land ought to be sold at a *sufficiently high* price, and the money to be employed in sending out laborers to the colony. Such laborers, being unable to purchase land at first, would work for hire on the farms of others until they became rich enough to afford the price of the land. Thus a constant stream of emigration would be afforded.—Mr. Wakefield alledges that his scheme has not failed, for it has not been really and sincerely tried. That remark of his seems to be true; but it is also true

* I believe *the Crown* is in this respect almost a fiction. The Colonial Legislature is now the real sovereign of the land.

that he has not so explained his view, as to make it *possible* to try it. He proposes, you observe, that the land should be sold at a *sufficient* price; that is, sufficient to bring in cultivators and keep a proper balance between proprietors and hired workmen: but he gives no mode of settling what price *will* suffice for this. Apparently it must differ in every colony, and in every year.—Nor has Mr. Wakefield explained what tribunal could be trusted to solve so delicate a problem as the "sufficient price." The Colonial Office in London could not have the exact local knowledge: a local tribunal in every colony is required. Yet it would be hard to trust the power into the hands of those whose interest it was to keep land dear, in order to have a larger number of persons working for wages. The poor would need to be amply represented in this tribunal, and, it is to be feared, in no case could the deepest discontent be avoided.

Possibly advancing experience is really showing the way through these difficulties about Colonial Land; only I am not aware of it. I would hope so. Judging, however, by the past, it would seem, that to give up the land entirely to the local authorities of every Colony (provided that it has a popular constitution), could not produce worse results, and probably must produce far better, than regulations made in London. And this opinion derives great confirmation from the history of the subject in the United States of America. The pride of England is slow to admit such a solution; yet Canada is already a precedent.

Great as has been our mismanagement (as naturally followed when we had no guiding principle), Emigration, is on the whole, attended with decided benefit to the physical welfare of the emigrants. Its benefit, however, to the mother-country *is not so manifest;* and considering that Emigrants are on the average superior to the mass in knowledge, enterprize, and wealth, the question has been started whether the departure of our most energetic young men with so considerable stores of capital may not drain us dry, and leave us less able than ever to support our aged and our females.

Evidently *some* emigrations have been very exhausting. Spain suffered loss by driving out the Moors, and France by the escape of the Protestants. But in these cases the emigrants did not withdraw on account of their economic field being over-filled at home, but in order to avoid tyrannical power. The emigration did not draw off a natural surplus, but the healthful life-blood of the nation. A bad state of law will also lead to an excessive drain of the population. The remedy is not by impeding the emigration,

but by improving the law. Sometimes, indeed, as perhaps now in Ireland, nothing so assists this very improvement as a temporary excess of emigrating.

To some new countries the loss of population and capital by the absence of deep-seated love to the soil, is exceedingly embarrassing; but only tyranny can alienate men's affections from old countries. England is too dear to Englishmen to be abandoned without strong reasons: so long as our freedom and internal peace continue, any excess of emigration implies misery and misrule. As to Capital, if so very large a mass were not fixed on our soil, year by year, in the form of buildings and works, the danger of losing it might not unjustly alarm us. But, as I before observed, every building that is erected for production, and all property spent in works, are a great guarantee that circulating capital shall be reserved sufficient for carrying on these works; without which they would become valueless. Among ourselves the security of property has given such force to the desire of accumulation, that too rapid an increase of capital seems to be a periodical inconvenience. During the great war with France, for fourteen years together we must have outright thrown away, on an average, full forty millions a year, yet the nation collectively was richer at the end of the period than at the beginning. A large part of this must have been deducted from enjoyment, not from money destined for trade. Since the war, we have had several eras of wild speculation, with enormous waste of property and widespread ruin, produced in no small measure by the excessive abundance of capital; and although severe pressure was felt in some seasons by the too great demands of railways on the purses of their undertakers, yet the experience of twenty years shows how easily England can bear an annual expense of from twelve to fifteen millions on entirely new enterprizes. Had not the invention of railways taken up all this capital, a very large fraction of it would have been wasted in silly foreign schemes, like the Bubbles of 1825-26. This tendency of capital to become embarrassingly abundant is as notable as the same tendency of population, and seems to set at rest the expediency of allowing full facility for the exportation of Capital.

What then is my general conclusion concerning Emigration? We have, it seems, surplus population and surplus capital, both of which we send away! Is not this self-contradictory? I think not. That which is deficient is *Land*. Not only is our Land small but it is artificially made less accessible by laws, which allow a landlord to sponge upon tenants. Besides: the surplus.

—The surplus of which we speak is not absolute, but relative to our knowledge and *to our versatility*. Capital is excessive, not because there is a want of population to set at work with it in England, but because the capitalist is ignorant what *new ways* will be lucrative, and because the most important of the old trades are overdone. Population is excessive, not because there is not in the whole community capital adequate to feed the whole community, but again because most of the old trades are overdone, and the people cannot conveniently learn new ones. The very same cause produces the two phenomena, which Economists are apt to consider contradictory, only because they do not give just weight to the rigidity of men's habits. Commerce, if developed in extreme activity with the whole world, might perhaps ordinarily supersede the necessity of Emigration; but not till our municipal and rural organizations are immensely improved. Emigration and Commerce appear to me both to act in the same direction,—*to bring a remedy for our want of versatility*, as well as to furnish us more economically with articles of prime necessity.

LECTURE IX.

ON GOVERNMENT REVENUE.

I now approach the important subject of *Government Revenue*. I have already observed, that a Feudal Monarch was in principle sustained like his Barons, on the rents of land, and some other customary payments. He was little else than a Baron on a great scale. And if the Crown Estates had been duly preserved and faithfully improved, no other revenue would be needed for ordinary government. The expenses, however, of Wars would always have to be defrayed by some special taxation.

Among the early Romans the public lands and other estates were let out by the magistrates, and this was presumed sufficient for the current necessities of peace. *Tribute*, that is, tribe-money (parish money), was levied for wars. But, in point of fact, the wars were so constant, that war tax was perpetual until Rome was able to throw it all on the Provinces, and the public lands were hired for a trifle by individuals of the aristocracy, through mutual connivance: thus the legitimate revenues were dissipated. This is so uniform a story in every country, that the moderns appear to have become desperate as to the possibility of managing government estates honestly. Public opinion among ourselves regards the function of a landlord as too similar to that of a merchant or trader to be efficiently exercised by a government. Indeed all old and noble families are apt to understand how to spend, better than how to amass, revenues; still more eminently is this true of purple-born princes: and ministers who have a short tenure of office do not feel disposed to undergo the odium of raising the Crown rents, if no immediate result of great importance to the treasury is attainable. To tax the nation is easier.

I suppose that we must regard the experiment of Government Estates as decided against the nation: to go back to an older system is generally a political impossibility. Nevertheless, where a general system of Landed Rent is introduced, no tax appears more simple, more just, more unfailing, than to take a percentage of the rent for Government Service. In England this is now impossible *retrospectively*, since land has so long been bought without any such liability being counted on. But Mr. J. Stuart Mill, a very cautious man, sees no objection to thus taxing all *future*

accessions of rent. The best time for such an enactment is one at which the general rent of land has apparently reached its maximum; for then least of all would land-holders feel aggrieved at such a tax: and such a time is the present. But I am not able to hope that anything of the kind will be done; and for the reason that I stated—the insecure tenure of power held by each successive cabinet. Free nations have to pay the penalty of freedom. Their government cannot defy public opinion, and therefore cannot afford to make enemies without necessity. The consequence is, that they will not originate work for a distant object, unless driven on by a powerful public opinion.

Still, one might have hoped that in the regulations for new colonies some kind of foresight might have been exercised, to save them from falling into the same wastefulness as ourselves. The Colonial Land is avowedly a State-possession. To grant it away to individuals from favour is now at length repudiated as a public profligacy; but to *sell* it is thought to be the part of prudent statesmanship. What? To sell, for the immediate convenience of this one generation,—what ought to be a perpetual source of revenue in future centuries? This is a strange economy! But (on first hearing it might be imagined) this generation at any rate benefits by it, if future ones suffer? By no means. The land is necessarily sold at a price so trifling, that the colonies never pay their own expenses. Naturally, it is impossible to *forestal* the value of land, although we know that it will increase hereafter with the growth of population. Our practice of selling it alienates to individuals for ever, and for an insignificant sum paid down, the permanent heritage of great nations that are to be.

How much wiser are individuals in providing for their great-grandchildren! The holder of townland, when he grants a building lease, anxiously secures that after ninety-nine years the land *with all the houses and fixtures upon it* shall be the property of his heirs: and to this most unreasonable demand builders innumerable are found to agree with perfect cheerfulness. Yet the State, which calls itself Mother-Country, exercises no such foresight for the future welfare of Colonies, when it might be done so easily. If, instead of selling the land for ever, they sold it for one hundred years only, securing to the occupant an exclusive and unquestioned right to all houses and fixtures which could be valued separately from the land, but reserving the land itself to the State, no one could murmur at the arrangement.

During the early period in which there is abundance of land, and rent cannot be got by a land-holder, the government revenue

upon it can only be taken by an *acreage:* afterwards, when rent is general, a percentage of the rent itself may be taken by the State. These two modes of taxing need particular attention.

An acreage is a tax of so much an acre, without any reference to the quality of soil or other advantages of a farm. In a country like England, where bad and good land are alike cultivated, such a tax is extremely unequal, and unless very light, becomes oppressive on all the inferior soils. Obviously the richest soils (I mean those which best pay the cultivator) ought to pay the highest tax: an acreage is on the whole unsuited to our stage of advancement. On the contrary it is admirably suited to the United States, where good land so abounds, that the visibly bad is not in the market, except where position and other circumstances may compensate. It also seems a much wiser and honester plan to take an annual acreage with a small present payment, than to receive all in a single sum paid down; by which we defraud posterity and get little benefit ourselves.

A tax on rent being of all taxes the most equitable and the easiest to levy, and one that becomes more and more productive in those later periods of industrial development, in which government becomes most complicated, it seems an unthrifty and reckless proceeding not to take measures prospectively in all new States for ultimately levying this. To collect taxes in a half-formed community is often expensive; and this may be a reason for accepting a smaller sum paid down, as an equivalent for occupancy during a limited term: but after this a moderate acreage should succeed, to be commuted in course of time into a tax on rent. Provided that this were done by an act applicable to all estates alike, nothing oppressive could be enacted in a free State; and under despotism nothing so abates harshness and makes it tolerable, as when it is uniform.

What is really oppressive, is, when each estate has its tax separately settled by a yearly estimate, and despotic officers have to make that estimate. Such is the unhappy condition of a large part of India. Bribes paid to these officers are often as necessary as the tax to the government, and are perhaps the most galling part of the burden. The Indian ryot, as the Irish cottier, could not dare to improve, lest his rent be raised upon him. If he even plants new trees in his ground, they are counted and taxed before their produce is brought to market. But in this case the Government does not *tax* the rent, *i. e.*, take a percentage of it, but invades the whole; and then with despotic power assesses it. Nor does this mean that an educated statesman has to decide:

petty and needy persons often wield for their own benefit the sceptre of Britain. And even when the estimate is formed by the practical judgment of a British collector, still it is so notorious that he gives discontent to his superiors if he send too little rent, that to increase the burdens of the people is the tendency of every ambitious man, and to lower them is almost impossible.

Thus a large part of India (that is under *Ryotwar*) is in the very opposite extreme from England and her colonies; and both extremes vicious. *Here* the government has yielded up the public rights; *there* it has grasped at so much that a host of State-functionaries is needed; under whom the cultivators hold, with the result that they are pressed down far worse than our farm laborers in the worst counties.

One would hope that every evil has its good; and such certainly has been the case with the pecuniary prodigality of our monarchs. If Henry the Eighth and his successors had wisely husbanded the Crown Estates, the monarchy must have become despotic. The State may easily be too rich; and that is our only comfort in our present overwhelming *public* poverty. But to this I must return, when I touch on National Debt.

[1880. India is a vast topic, and I touched on it briefly. In saying that a *part* of it was under *Ryotwar*, I mentally contrasted that which was under the Permanent Settlement. I lament now to add, that the comparative prosperity of this part was ruined after the Mutiny War of 1857-8, for which neither the cultivators nor their landlords were in any way responsible: yet the Queen's Governments, in violation of our faith pledged under Lord Cornwallis, more than doubled the rents, thus throwing land out of cultivation and inducing famines, hoping (forsooth) thus to repay the expenses of that war. No English Parliament loses a night's rest because one or two millions of Indians are starved. But such fatuous rule does not mend the finances.]

I now leave the question of Land, to speak of taxation generally.

And first let us ask, *What is it* that is taxed, and *why*, when a State has abandoned and lost its own natural possession—the Land? The State is the organization which is to hold together human society on principles of Justice and Right. Giving great and precious advantages, it demands honor and pecuniary support: honor from all; property from those who have *any surplus*. The State is so far from desiring to press down into starvation those who have only just enough for life, that it supports by Poor Laws those who have less than enough. The moral ground of

such laws I shall afterwards open. But as at least the State is not intended as an instrument of oppression to the weak, it cannot (wilfully and knowingly) tax those families which barely can feed themselves. Hence no taxes can be intended to fall on sinews, bone, and breath, as such, but on *property*, as such. The moment this is conceded, it follows that the more property a man has *to spare*, the more fit a subject for taxation he is, and the higher the percentage which may justly be taken from his surplus. I cannot understand the tone assumed by some writers on this subject, who call it robbery and spoliation to tax greater wealth at a greater percentage. My belief is, that this is intrinsically just, and that it would tend, moreover, to political stability, by removing the odium attached to great wealth with the vulgar.

It is usual to divide taxation into two kinds, Direct and Indirect. By *Direct* is meant, a demand on the taxpayer which is ostensibly for the Government, being made by a public taxgatherer. By *Indirect* is understood a payment which is ultimately received by the Government, but is transmitted through several hands first, so that he who really pays it does not pay it ostensibly or perhaps consciously as a tax.

Thus our Direct Taxes are whatever is collected from house to house by government officers whether *avoidable* or *unavoidable*.— The Assessed Taxes (as they are called) are avoidable by many persons. Namely, if I am taxed for keeping a horse, a dog, a carriage, a manservant, or for having so many windows in my house, it is possible for me to give up some of these luxuries, and proportionably lessen the tax. But if a tax is put upon my Income, I cannot avoid this by any change in my habits; and to avoid it by lessening one's fortune would occur to no sound mind.

When a tax is avoided, the public revenue gains nothing, and the individual who avoids it is uselessly aggrieved. It appears exceedingly absurd, that people should drive in cars with low wheels, because high wheels are taxed; and worse still, if a little horse sells for more money, because by being an inch lower at the shoulder he evades the tax. If taxes could always be rightly imposed, we could not wish them ever to be avoidable. But since we must count upon error in finance-ministers, and on the occasional harsh operation of every general rule, it is less clear that this quality of a tax is always bad. In many cases the trouble which a person will take to avoid a tax, is a measure of his poverty. No man in comfortable circumstances would think of stopping a window in his house to avoid the tax: that any poorer persons should stop so many as to make their houses un-

healthful, is a serious evil: but, short of this, the submitting to inconvenience indicates that the individual is not one out of whom the payment ought to be wrested, as it might be by a tax on his income or property.

A House-tax, with some advantages, has peculiar special difficulties. There are certain trades and professions, to which an expensive house is needed as an instrument of the trade and not for enjoyment. Such is the case with a schoolmaster, a dentist, a physician, a hotel-keeper. Sometimes even for a very common coffee-house a large rent is paid because of the site. It is very unreasonable to tax such houses at the same rate as ordinary dwelling-houses, while a warehouse and workshop are not thus charged.—On the other hand, noblemen's palaces are a constant scandal and perplexity with a house-tax. If a rather poor nobleman inherits a house on which wealthy ancestors lavished vast sums, it will force him to pull it down if you tax him in proportion to what it is intrinsically worth. Yet possibly this very house will let for only a trifling sum; for it costs too much to live in. If therefore it be taxed in proportion to the rent for which it will let, the tax is absurdly small; but if in proportion to that which it would cost to build, the tax is oppressively great.

A Tax on Income has this great recommendation to an Economist, that it never interferes with industry, so as to pervert it into wrong channels; nor ever induces persons to suspend their activity, except when it is so heavy as to lessen the willingness to save. On the objections to this tax I shall presently speak.

Indirect Taxation is principally of two sorts, Customs and Excise. The Customs consist of duties levied on foreign produce when brought into the English market; which duties are naturally received at the ports. The Excise is taken on domestic industry, as on the manufacture of paper, of soap, of malt, of British spirits. It is intended that these taxes, though levied on a tradesman, should be really paid by the consumer of his goods: and it is generally taken for granted that an advance of price, exactly equal to the amount of the tax, *immediately* takes place, and indemnifies the tradesman. It is argued:—whether the Cost of Production be increased naturally or artificially, matters not; the price will rise with it, and the producer will not suffer.

Undoubtedly this happens under several conditions: as, *first*, if the article be one of extreme utility and of no great expense. I have before alluded to Lawyers' Parchment, as likely to rise or fall quickly with the cost of production. A tax placed on it would not diminish consumption, and must immediately be paid by the con-

sumer. *Secondly*, the same would happen if the article were made without much fixed capital; so that if the rise of price lessened the use, the quantity in the market might rapidly be lessened also. Thus if a new tax were laid on leather, which led to a higher price and restricted use, the tanners might quickly and without any particular loss diminish their production. *Thirdly*, if the article were one that sold in a vast market, as is the case with tea; and the market affected by the duty were very small in comparison. An increase of our duty on tea would raise our prices by the amount of the duty, and this would lessen our consumption. Yet the tea thrown back upon China would not be felt so as to depreciate it; for the tea used by England is a very small fraction of that used in China and the surrounding countries, besides Russia and North America.

But when the article subjected to a tax is one for the production of which an enormous fixed capital has been devoted, or towards which there is a sort of predestined bent;—when it is not of absolute necessity to the consumer;—and when the market affected is a very sensible fraction of the whole, then the doctrine no longer seems to be so true. I do not deny, that in a system otherwise tranquil, the *ultimate* result is that alleged by the current doctrine; but it appears to me to be neither so immediate nor so certain.

But let us examine this more closely, beginning with the question of sugar.

If our increase of duties be imagined such as to raise the price (we will say) from 6d. a pound to 10d. it will lead a vast number of persons to lessen their consumption. Hence, ere long, the stock of sugar accumulates; and if we assume that it cannot be sold in any other market, the price will drop a little (let us say, to 9d.); thus a part of the tax is taken off from the consumers, and falls on the importers. Next year, they are discouraged, and lessen their orders on the sugar plantations. Now if those plantations and their managers had an infinite versatility, they would at once lessen their sugar and *grow something else*. But if they have a system regularly constructed at great expense, for sugar and sugar only, the loss to them from abandoning or lessening the growth, may be greater than from submitting to a rather lower price. No *one* can have confidence that *others* will diminish the quantity; and if he attempts this method, he may find he has less to sell and that the price has not risen. Probably, instead of this, each studies a more economic and assiduous culture. The quantity produced, year by year, not being diminished, yet the

permanent consumption in a principal market being less (for the consumption at the price of 9d. must be greatly less than it was at 6d.), a new and greater accumulation follows, and the price drops again, perhaps to 7½d. Some increase of demand follows, and raises it to 8d. Now if all beside is unchanged, we may predict without fear of contradiction, that in the course of years it will become notorious that sugar raising is a bad business. Some firms will break: those that hold up somehow will not have a vigorous life. Old works will not be efficiently repaired; no new ones will be erected; and the growth will be stinted by a sparing application of capital. Thus at length the quantity will be so reduced as to force up the price;—yet slowly; since (other things remaining) every advance causes a diminution of consumption. However, at least a gradual rise of price must continue till the planter is as well remunerated as *other capitalists*. If this mean that the sugar is again at 10d., he has at last thrown off the whole duty on to the consumer. The language of Economists is sometimes so incautiously decisive, that one might imagine them to mean that this result is ordinarily produced, finally and completely, in a single year. Hence it passes as a sort of axiom, that "every indirect tax is paid by the consumer."

Until lately, our artificial laws kept the price of sugar in the United Kingdom permanently higher than in any other market in the world; consequently, if we had thrown back on the West Indies any portion of their sugar, they could not have disposed of it to equal advantage elsewhere. But even if they had had another market, yet one to which ours bore a large ratio, taxes, such as I imagine, would for more than a few years have fallen in part on the planters.

Again, the larger the fixed capital in any production, the more difficult is it to the producers to lessen their production. If in sugar-making there is more fixed capital than in rice-growing, it would take longer time to diminish the growth of sugar and adapt the quantity to a lessened market, than in the case of rice.

If a process of change is not effected instantaneously, we are in danger of fallacy from our postulate about "other things remaining." Perhaps "*other things*" do *not* "remain." The low prices of sugar may have led to more prudent expenditure and economic cultivation, which permanently keeps the prices below what seemed their natural mark. Or the purchasing community may get richer, so as to bear the prices up at an earlier period: or new sugar-fields may have been found, in the quest after cheapness, which enable the *new* growers better to bear the market, to the

still greater distress of the *old* producers. Or beet sugar may have entered largely into the market. Many such things may happen, before a *final* adjustment of price takes place; *if any thing be final*. Hence it is extremely difficult, or impossible, for statesmen certainly to calculate by whom a tax of this nature will be borne. A *part* of it generally falls where they do not expect or wish.

Consider the parallel case of our manufacturers in the last thirty-five years. In my last lecture I alluded to the losses and anxiety to which they were subjected, by the retaliatory duties which many States inflicted on us, because we refused the corn, sugar, or other staple articles of the foreigner. As in maritime war the innocent trader is made the first victim, so it is with the war of tariffs. The Englishman, *when new duties were imposed abroad on his goods*, could not raise his price to the Brazilians (for instance), higher than did his rivals from Germany or North America. Unless he could find another market equally large, he must choose between lowering his price and so bearing the Brazilian duty himself, or lessening his production by the whole quantity hitherto sold in Brazil. If the latter could be done, the Brazilian government would gain no revenue from the tax, the Brazilian people would have worse or dearer goods, English capitalists would lose an investment, English workmen be forced to look out for a new trade. But this over and above implied the sacrifice of the fixed capital. Sooner than endure this, the manufacturer would bear a part at least of the Brazilian duty himself, and still struggle to sell in that market as cheaply as his rivals. The price, it is probable, rose to the Brazilian customer, but not to the height of the duty; a portion of the English trade was displaced, and had to find a new market or produce less.

Generally, it is matter of great hardship in all indirect taxation, that *the State which taxes throws all risk and onus on a particular class of men*. If new duties are laid on one sort of goods, the producers or merchants of those goods are forced to pay large sums to the Government, and then to *take the chance* of indemnifying themselves. And if they will not at their own cost bear this risk, they are ordered to suspend their trade! This is in principle as unjustifiable as avowedly to lay a special impost on one class. *The objection does not indeed apply to old taxes*, as to which the market has long ago settled itself, but it is a powerful reason against any new or increased indirect tax. And even in regard to old taxes, it is a hard thing that the Government casts its own *bad debts* upon individuals. For instance, if a grocer becomes bankrupt, and a tea-merchant hereby loses a large sum,

half of this debt, perhaps, is the duty on the tea which the merchant was forced to advance to the Government: yet not a shilling will the Government refund, though the merchant bring clear proof that he has not been able to recover the amount of duty. The Chancellor of the Exchequer virtually says: "You must count on these things, and manage to charge high enough to cover both tax and risk." In a struggle for national existence, all sorts of inequalities are inevitable: nor should we criticize such things in a barbarous power, which only cared to get money with the least trouble. But a just, peaceful, and flourishing State ought not to count itself to have a surplus, until it has borne its own bad debts.

This, however, is but a small part of the practical oppressiveness of our system. For instance, if some of the sailors in a ship hide tobacco in it, the *ship-owner* is responsible for their offence, and the ship itself may be confiscated. He is to regard himself as exceedingly well off for only bearing heavy fines, and is left to recover, if he can, the £50 or £100 loss, from the needy sailors. The injustice is the more glaring, since the owner cannot possibly hinder such offences, while there is an enormous double premium held out by law for their commission; viz., first, in the exceedingly high gain from smuggling, and, secondly, in the high reward for informing. The fraudulent sailor has a perfectly safe game; for if he get no good opportunity of carrying the smuggled articles safely to shore, he can make his harvest by turning informer against the ship.

Mr. Banfield has maintained that the most important distinction of taxes is not that of Direct and Indirect, but that of taxes *near to production* and taxes *near to consumption*. This needs to be explained. If an acreage be demanded on land before its use has begun, this is a tax that even *precedes* production If the tax be paid on the field while the crop is standing, this is immediately after production. If it is paid at the mill, where the corn is being ground, this is later after production. If it is paid by the baker, when he buys his flour, this is nearer to the period of consumption. If it could be paid by the customer, at the moment of his purchasing a loaf for domestic use, this would be nearest to consumption. —Now, according to Mr. Banfield, the nearer a tax falls to the actual moment of consumption, the better. Thus the malt-tax is a far better tax than if the same money were levied on the standing barley; and that, again, would not be so bad, as if the same amount were levied by an acreage. On the other hand, if for the malt-tax were substituted a tax on beer to the same amount,

levied at the brewers, it would be an improvement; and to levy it (were it possible) of every consumer, at the moment before drinking, would be best of all.

The principle contained in this remark is undeniably true, and is easily understood in the operation of *bonding* foreign goods. A merchant who imports a cargo is not forced to pay the duty at the moment of landing. Were this the case, he must either be at the expense of keeping the ship inactive, in order not to land the goods, or he must pay away his money to the Government prematurely. But he is allowed to deposit the cargo in certain warehouses, under the lock of a public officer; and it is then said to be *in bond*. The merchant takes out what he pleases and when he pleases, on paying the tax and the warehouse charges. Of course he waits till the last moment, when the goods are wanted by a consumer or by a retail tradesman; and in this way he avoids locking up his capital.—In the same way, if five millions be paid on malt, that five millions is advanced by maltsters; it is again advanced by the brewers, again by the publicans, and finally paid by the consumers. If we could delay the payment till the end of the process, then neither maltsters, brewers, nor publicans would need to make this large advance. At present, the maltsters, and brewers want larger capital for carrying on their trade, by reason of this tax; and if the publicans do not, it is only because they receive credit from the brewers, and this increases the risk of bad debts to the brewers. On the other hand, if the five millions were taken on the growing barley, the farmer would be so emptied by it, that he could less easily pay wages or otherwise carry on his affairs. If indirect taxes are to be levied at all, there seems no question that Mr. Banfield's generalization is economically just. Politically of course, there is a limit. To collect a beer-tax from each person at the moment of his lifting the cup to his lips, is impracticable; but the nearer to this crisis the tax can be postponed, the better.

Still, the most important distinction of taxes seems to be, into, Taxes which hinder industry, and Taxes which do *not* hinder industry. All other* distinctions are secondary to this. A tax is not mischievous for what it orders to be paid, so much as for what it hinders from being produced. The Direct Taxation of southern India is far worse in this respect than our worst Indirect Taxation, which with us is alone liable to this objection. I have explained how a tithe on corn will hinder

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* This is said *economically*, not *politically*, nor *morally*.

a farmer from improving his cultivation: the same principle meets one at every corner in Indirect Taxation. Thus, if such taxes are to exist at all, tea and tobacco are very suitable articles to be taxed; yet the tax lessens the number of ships built, and shortens the employment of a large number of artizans and seamen. Nor can it be replied, that the capital is only diverted into other channels: capital is apt to stagnate for want of a suitable investment. This is a real objection even to the best Indirect Taxation. The great and undeniable excellence of an Income Tax is, that it never can pervert trade into artificial channels, nor make any branch of industry less profitable. If an Income Tax be *fixed*, in a few years *it is unfelt* by all but the poorest. Suppose a 10 per cent tax. Then a man who nominally has £500 a year has habitually counted that he has only £450 to spend; the man of £100 a year, that he has only £90. It is when the tax goes up and down, it is chiefly mischievous, especially to the trades which look to wealthy customers for support; but this is to be apprehended chiefly in countries which are deficient in capital: whereas English capital is constantly overflowing.

Here, as in other things, our difficulty is a *moral* one. Past governments have been prodigal and profligate: every government has a bad reputation for spending, and the nation pays grudgingly. Public spirit in individuals, as for raising useful structures in their native town or parks in its vicinity, is far from extinct among us. When people *can see what good their money does*, liberality is not wanting; and, if properly cultivated, might be made contagious. But with an enormous *centralized* system like ours, where millions fall into the treasury, and are to go out nobody knows whither, it seems to be beyond human nature to pay taxes willingly. Whatever the cast of a man's opinions, it is almost inevitable for him to disapprove of many of the uses made of the public money, not to speak of the neglect to husband existing public estates. While a government does something else than govern its own people at home, it cannot hope that its people will ordinarily feel sympathy with its proceedings, or willingly pay money to sustain its action. This, I believe, is our main difficulty.

Hence it is that the Indirect Taxes are collected with so great expense, and the Direct ones often with harsh despotism. An army of revenue-service lines our coasts, to hinder smuggling. A ship must sail many leagues farther than she wishes, to carry her goods to a Custom House: and many other expenses besides are added. Small ships would be ruined by these: a premium is thus given to large vessels. In the Excise, the hindrances to improve-

ments in manufacture, from the constant fear lest the revenue be defrauded, are an enormous evil: then the expense of Excisemen is another incubus. It was only in 1842 that a vast heap of Customs duties was swept away in a single act by Sir Robert Peel, on above 400 articles, which brought much vexation to industry and barely repaid the expense of collecting. Such taxes are the heritage of our last war with France, in which our government lavished hundreds of millions sterling for a futile object, and grasped at every sort of tax without trying to ascertain the consequences. The years of misrule were indeed far longer than has since been our period of incipient reform; and it is no marvel that we are not yet clear from the disease then infused into our economical system.

The thing to be *desired* is, that the government and nation should have mutual confidence, and that people should lay aside that "ignorant impatience of taxation" of which Lord Castlereagh complained, when he and his colleagues had made the burdens greatest. But this desirable result is impossible, until the Government becomes manifestly economic,—I may even say, manifestly frugal. The whole topic is a Political one; and therefore I must be allowed to assume as a postulate, that there were this good understanding between the government and the nation; then it follows to ask, What sort of Taxes are on the whole least oppressive to us, a certain large amount being needed?

The first reply is, "Such Taxes as do not interfere with industry, and do not cost too much in collecting." This would suggest that *all* the taxes should be Direct; except when the expense of collecting would make them worthless. Certainly the vexatiousness of an Excise to all those employments in which improved methods might otherwise be hoped, seems to make it the worst of our taxes when applied to processes of art, as soap and paper.

A second reply is, that "all *old taxes* (whatever other defects they may have) tend to diffuse themselves equally over the community, provided that there is civil freedom and equal law." Thus if beer and tea have been taxed for fifty years at their existing rate, this has probably become calculated on in the wages of many and has affected the cost of production of articles, so that the tax is partially paid by the consumer. For instance, if colliers need to drink porter, or think they need, a tax on porter that is fifty years old is probably no burden to the collier, but is paid by the consumer of the coals.

Where a whole nation is well fed and housed, property may have been taxed unequally, and the little properties may have been

unfairly treated, yet, we are sure, nothing *but* property has been taxed. On the other hand, by a process of half-starvation something might be squeezed out of those who are now in physical welfare, but have *no* property. When a part of a nation is notoriously ill provided, it is very difficult to judge what share in this is imputable to taxation. Those who are in physical affluence are too apt to argue, that tobacco, and sugar and tea and coffee and beer are *not necessaries* of life. Certainly they are not, to those who have plenty of bread and meat and milk and butter and eggs; with warm clothing and good fires: but to those who can only afford bread and water, who find meat, eggs, butter and milk too expensive, and who are exposed to wet and cold, something to give a taste and stimulus and warmth *is* a necessary of life; and large experience indicates that cheap coffee and tea are the best remedies for the fatal tendency to gin and other spirits. Even tobacco may have its plea in raw damp weather.* I cannot therefore look with complacency on any but a light taxation on any innocent luxuries, although it is impossible to recommend its immediate and total abolition.

In fact, if our whole system of Indirect Taxation were at once swept away, as some propose, and *the same revenue* raised by a Direct Tax (which might require 12 per cent. on all incomes above £50), it is a great error to imagine that the poor would pay none of this. The effect of such a change would be convulsive. Noblemen and wealthy commoners would greatly lessen their higher luxuries, as pictures and other indulgence in the fine arts; many carriages and horses would be sold, large numbers of coachmen, footmen, and grooms would be dismissed, many wealthy tradesmen (as coachbuilders, upholsterers, and others) and professional artists and superior artisans would suffer an enormous decrease in their trade. In turn these would be forced to economize, and to lessen their indulgences, both on account of the increased tax and far more on account of the lessening of their gains. Thus the suffering would be propagated downward towards the poor. The wages of household servants would probably everywhere fall largely, and even so, many women as well as men would be dismissed.—In compensation, undoubtedly those special trades which are now annoyed by Indirect Taxation would enjoy immediate gain; and in the course of some years the prosperity would diffuse itself gradually over the rest of the

* 1889. I know more against Tobacco and Flesh Meat than I did in 1850-1, and more of the ignorant Unthrift of the poorest.

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nation: but meanwhile, the rest would have a time of severe suffering, of which no one can predict the results.

This is but part of a general principle,—the *rigidity* of our social economy: whence all great changes are painful. Sometimes they are inevitable; but when they are not, we need to inquire *anxiously*, whether the demoralization induced by the state of transition may not more than neutralize the economic good hoped for by the reform.

It is a most delicate question, whether changes, when necessary, ought to be sudden and total, or gradual and foreseen. I believe it must depend on the nature of the case. A *diminution* of duties, it would seem, ought to be sudden and total; for if it be foreseen, the trade is paralyzed in expectation of the favourable moment. But an *increase* of any tax should, if possible, be foreseen and gradual; and in this way alone could the Income Tax receive any considerable increase without severe distress. If that increase were foreknown for five or ten years, arrangements would be previously made to bear it.

But, in concluding this subject, I must touch on the practical objections which are urged against an Income Tax. They are principally two: *first*, that it is unfair to tax transitory income as high as that which is permanent; *secondly*, that the impossibility of settling exactly what a tradesman's income is, makes the taxgatherer inquisitorial, despotic, and unjust.

It is undeniable that a penalty on forbearance to spend on enjoyment is actually imposed by every Income Tax. If two persons of equal properties and equal necessities receive equal incomes, but one of them spends his whole income, while the other saves and invests £100 of it; they are taxed equally that year, but he who saves is taxed over and above every year for all the future proceeds of his saving. To avoid this inequality, an Income Tax ought every year to except from taxation that portion of a man's income which he invests, and tax only that which he spends on enjoyment. If it is often practically impossible to discriminate, it is also often possible; and it is a bad system to make every difficulty a plea for severity and extortion. Perhaps this is, after all, what is meant by the complaints of taxing transient income. The real thing felt is, that the savings made out of income for investment ought not to be twice taxed, first as income, next permanently in its fruits.

The "penalty on forbearance" complained of vanishes when the income tax is perpetual and unchangeable. Thus if A and B has each £2000 and A spends it as incomes and is taxed upon it,

while B invests it and is taxed on the perpetual interest, the continued tax at the same rate of interest if reduced to present values, exactly equals the single tax paid by A. But when the tax is fugitive, as when it is made solely a war tax, its pressure varies. If A earned his £2000 in an exceptional year, and B received an equivalent £2000 in consols of £100 a year, an income tax *to last one year* only will tax A on his full £2000, and B on only his £100. Thus in proportion as it lasts, an Income tax becomes fairer.

It is said, indeed, that the procedures of business are so complicated, that in many cases a man does not nearly know what is his income. That he seldom or never knows the value of his *property*, is obviously true; and every attempt to tax men by its present value, seems to me very arbitrary. But every man must be able to know, from time to time, the clear *money* realized; and, since mercantile goods are never bought as a permanent possession, a *perpetual* Income Tax would sooner or later come on all of them, as soon as the real gain from them was made safe. Perpetuity, here removes the great difficulty imagined, if the taxing officers do not grasp at a premature harvest.

Income made in trade is very unequable, owing to large occasional losses. If a man gain (or *think* he has gained) £2000 one year, he may lose £500 the next; but *the Exchequer will not refund.* Such being the unfair liability of trade, no Income Tax can give permanent satisfaction, nor is likely to be permanent in a free country, if it is not liberally administered. To bring about any moral union between the nation and government, the collecting officers must be taught that the government desires to be equitable, and not to scrape together the largest sums by methods rather questionable.

On certain *Professional* men, also Tradesmen, an Income Tax is apt to press unfairly. A country surgeon needs horses and a gig for his trade, a town physician his carriage and coachman; nay, a grocer needs his shop car. The expense of these articles should be deducted before a man's *clear* income is struck; and the collectors should be ordered to err rather on the side of liberality. But if they force the surgeon to swear that he has never taken his wife to church in his gig, or the grocer that he has never driven his children into the country for an airing in his car,— and, unless this oath is taken, gig and car are counted as vehicles of pleasure, though all tradesmen know that they are essential to the business, —men are disgusted by the tax. If the percentage were raised and the tax interpreted liberally, it would be borne more cheerfully than a lower percentage while enforced harshly.

Possibly I do not understand the American system of taxing *Property* independently of Income. If a man have a Museum, or a statuary of Marbles, their value may be great: is he to be severely fined every year for having bought it? What of an Artist's *unsold* pictures and sketches? What again of unsold shop goods for which £1000 may have been paid? Far more objections meet us here than from taxing the Income only.

There is one more tax too important not to name, and too important also to treat summarily,—a Legacy Tax. Some have thought that a graduated Legacy Tax, putting a very high percentage on large bequests (and on large possessions inherited without a will) would be extremely profitable to the Treasury and not burdensome to individuals. Probably so, if the tax were very moderate on small amounts. It would also beneficially punish the mischievous practice of bequeathing lands deeply mortgaged, instead of selling a part to clear off debts on the rest.

Indirect Taxation is most valuable when taken on luxuries which have become habitual, such as tea and tobacco. The increase of steamers endangers an increase of demoralization through smuggling. Yet it would seem not hopeless to awaken in the public a higher moral sense in this matter, if the system were made more reasonable and less extortionate, and if rulers could gain credit for frugal conscientiousness. If this is impossible, all tax-paying is apt to be a struggle of fraud against power. Indirect Taxation is then, on the whole, the worst, because it unites economic to peculiarly great moral evils. In Direct Taxation, let it be admitted, there is a premium held out to deception: but, at the worst, the deception is a single act, is not a trade, or state of living. A man pays (suppose) £5, £10, or £20 less than he ought perhaps from mere over-caution: often it is repaid as "Conscience Money." But smuggling becomes a mode of life, or pervades the whole life, and needs an enormous additional apparatus to controul it.

It is, lastly, to be remembered, *how many* systems of taxation we have, each needing a separate machinery. To collect 10 per cent. costs no more in officers than to collect 1 per cent.; hence if we could raise our revenue by this method alone, we should dispense with the Excise Officers, the Custom House and Preventive Service, besides Officers of Stamps and other Taxes. In all this it is manifest that a large field for needful reform is still open to judicious statesmen.

LECTURE X.

Coin and its Representatives.

SECTION I.—DIFFUSION OF THE PRECIOUS METALS IN DIFFERENT COUNTRIES.

In the ordinary transactions of a village-market, men sell to get the means of buying, and buy for their own consumption; the sellers, however, by no means try to lay out in goods all the money which they receive. But in Foreign Commerce the merchant-ship which discharges a cargo would be generally well pleased to reinvest its proceeds in a new cargo. In fact, the payment being received in a foreign money, to carry much of this home is undesirable. If, for instance, an English ship at New Orleans sell her freight for dollars, she will wish to spend those dollars in native goods, such as are likely to be acceptable in England. If this is done, we see at once that the dollars might be paper, and the result would be as satisfactory to the Englishman. The intrinsic value of the currency is here of no importance to him, but only the relation between the cargo sold and the cargo purchased, as in the case of direct barter.

Hence it may happen that an English merchant can afford to sell goods cheaper abroad than at home. For instance, he may send out Manchester cottons and sell them at Smyrna or Beirout for a smaller price than in London. Why? Because, if a return cargo can be got, the gains from it make up for the apparent loss just before encountered.

I believe there is an additional reason for the same phenomenon. Just as an English publisher of a book, before breaking up his types, sometimes strikes off an additional number of copies to sell cheap in America or in the English colonies; so manufacturers employ odd time, and apparatus which it is well to keep going, to produce an extra quantity of articles for cheap foreign sale. But I drop this at present.

You may ask: Is then the intrinsic value of money unimportant? and why does its value vary?—To the former question I reply: If the merchant at Beirout sell his cargo for Turkish piastres and pay away *all* the piastres for Syrian produce, then he does not care about the intrinsic value of the coins. But if he cannot find a sufficient number of goods suitable to buy, and is

forced to carry off one quarter of the piastres, and try to make up his cargo in Sicily or Naples where prices are not quite the same as in Beirout, in that case the quality and quantity of the metal in the coin becomes important to him. As for the second question:—The value of gold in comparison to wheat or iron in England is decided by the same principles as the value of coffee or cotton; and as coining gold costs nothing to the bullion-owner in England, our coin conforms in value to our bullion. The same class of causes which make sugar abundant in England and scarce in Turkey, make gold more plentiful here than there: at least there is no greater mystery in the one than in the other phenomenon.

A country which has no mines must buy the precious metals by goods; that is to say, its exports must be valued at more than its imports, in order that a balance of gold and silver may be due to it. Thus a certain quantity comes in; enough, let us say, to keep up the amount of currency which is found convenient. If things were stationary, and exactly one amount of gold and silver coin permanently sufficed; then, after it had been obtained, an equality of exports and imports would sustain equilibrium. But if (as in Turkey) there is great internal decay, if cultivation lessens, if population dwindles, if cities are overthrown, if towns and villages vanish, if gold and silver are swallowed up by earthquakes or hoarded through fear and insecurity—*all* internal industry which needs capital is paralyzed. Then it is hard to find exports, yet a taste for many foreign goods leads to purchases; hence, it is generally supposed, a balance of coin every year is paid to the foreign merchant, so that the Turkish empire is more and more drained of gold and silver, and *on that ground* prices continue to fall. This is a condition which the old Mercantile Theory presaged with horror, and which many States have sought to avoid by forbidding the exportation of the coin.

I do not myself understand how it is ascertained that "*general* prices" are lower in Turkey than in England: the markets are so irregular. Wheat in Syria is perhaps three times as dear in March as in September: French shoes sell at an advance of 50 per cent., if a lady goes to buy them a fortnight too late. No doubt food, warmth, land, pure air, and fine scenery are cheaper in Turkey than in England, but protection and security are so dear as scarcely to be purchasable; hence the pure air, broad earth, and fine scenery cannot be enjoyed: and while some of the first necessaries of life are cheaper than with us, a large mass of the conveniences of life is dearer. It must also be carefully considered

that the scale of general prices does not depend on the absolute quantity of gold and silver in a country, nor yet on its relation to the commodities; but on the quantity *circulating* in the market, compared with the goods *ready for sale*. If in Turkey there were as much gold existing as in England, compared with marketable goods, yet people became slow to buy and prone to hoard, the prices of all goods would sink, exactly as if the coin were non-existent.

Economic doctrine, at first sight, may seem to repudiate a permanent depression of prices in Turkey, as compared to Europe, as simply impossible. Surely (it may be said) if general prices are very low in Turkey, *owing to the scarcity of silver and gold*, foreigners will be too glad to take advantage of it: they will come in and buy largely: their purchases will greatly exceed their sales; the balance will then turn in favour of Turkey, and coin or bullion will flow in. As inevitably as water rushes from the higher to the lower spot, so will gold and silver find their way to the place where they exchange to greatest advantage. A permanent difference of value for them in different countries appears economically absurd.

I incline to accede to this argument in outline although it perhaps assumes too readily that certain facilities for purchasing exist, which do not exist. An English ship may easily *sell* a cargo of cottons in Syria, because the articles are esteemed there and cannot be made so cheaply as we sell them; only to *buy* a suitable return-cargo is often difficult. To facilitate the operation, English and Italian houses have resident agents in Syrian towns, who make contracts beforehand at suitable times for goods destined to exportation. Yet the prevalent insecurity, the indisposition to employ capital on any large scale, the inclination rather *to enjoy* or *to hoard* than to use productively, leads people to spend on foreign articles more readily than to elaborate exports; whence a permanent decrease of the silver and a total vanishing of gold.—Still, whether the gold and silver in the market has decreased *more than* the material wealth of Turkey, I see not how to ascertain.

In contrast to all this, England has no disposition to hoard, and a vehement desire to use capital productively, as well as to consume. From the magnitude and regularity of our industry we overflow with exportable commodities. Hence we easily purchase from abroad great quantities of gold, as of sugar; and it is correct to say that the same cause makes both these articles abound among us.

But, you may ask, assuming a relative scarcity and high relative value of gold and silver, does Turkey suffer any inconvenience from it? and would her state be bettered by the prohibitions of the old Mercantile Theory?—Some Economists will answer: She has *this* inconvenience, that her people can ill afford to travel or to purchase out of their superfluities any rarities of foreign art. If all our prices were half what they are, and every man's gold and silver and every man's debts were halved, we should be neither better nor worse, as far as English buying and selling is concerned.

Moreover, all that part of our foreign trade which strictly resolves itself into barter might go on as now. But if a wealthy gentleman from his superfluities desired to take a tour in Italy, purchase foreign pictures or a foreign museum, or a library of choice MSS., he would find his means extremely crippled. At present, since general prices in England range rather higher than on many parts of the Continent, a person who lives on two-thirds of his income finds the remaining one-third to go a great way abroad. But if all our prices were lowered, and all foreign prices raised, the case would be seriously altered. Thus while Englishmen feel travelling abroad cheap, to a Turk of proportionate wealth it seems unbearably dear; and while specimens of art or of antiquity readily find their way into England, they as readily quit the soil of Turkey.—This view is at least plausible: that it is yet entitled to be advanced as scientific truth, I could not assert. What, if it appeared, after the last of our commercial restrictions are swept away, that the average price of food is as low with us as in Turkey, while the price of most manufactured articles (of equal quality) is less in England? If this shall ever be brought about, it will not enable Turks any the better to command foreign luxuries; nor will it *dis*able Englishmen from expenses which they now incur: on the contrary it will facilitate their farther enjoyment. I suspect that the advantage enjoyed by England is simply in her absolute wealth, and that her imagined high scale of *general* prices is no advantage. With us certain great necessaries of life have been harder to get than in Turkey, and this is a decided evil to us. But, at any rate, the cure to Turkey is not, to forbid the exportation of silver or of Greek marbles (in fact, gold or silver comes in, when marbles go out); but *to increase the security of property:* then hoarding will lessen, stores of money will come forth, industry will increase, commodities will multiply, exports will be in abundance, and foreigners will pay balances of gold and silver. The fatal Pasha-system forbids all this.

Most Governments, at some time or other, have debased the coin. The Turks have done it beyond all others, apparently because gold and silver is not to be had. In 1812 there were about forty piastres in a pound sterling; in 1830 there were seventy-two, and in 1836 about a hundred. Such debasement acts exactly as the refusal to pay gold on notes, of which I shall presently speak. The money, being less valuable *when proffered to foreigners*, becomes depreciated towards natives: and *if prices rise*, every creditor is defrauded, when forced to accept payment in the debased coinage.

SECTION II.—BILLS AND PAPER MONEY.

I have before indicated, how, when two countries try to hold commerce, one which is disabled from selling may find it unprofitable to buy. The difficulty is sometimes eluded by the co-operation of several nations. Thus if a single country, as France, tries to exclude English imports, England may possibly, nevertheless, manage to buy of France nearly as much as she wants. For it might happen that we sold so largely to Spain and Italy, as to draw thence a balance of money large enough to pay our whole debt to France, who in turn might buy of Spain and Italy, so that the money circulated back to them and enabled them to continue purchasing of us. In fact, however, the great operations of foreign commerce are, as far as possible, settled by the intervention of *Bills*, instead of money; to avoid the danger of losing it on the way. The balance which cannot be settled by bills, is principally discharged by uncoined bullion.

To understand the nature of bills, you may suppose, that a French merchant, of whom an English merchant has bought goods, draws a bill for £1000 on the Englishman, and then transmits this bill to Italy in payment for goods bought by the Frenchman in Italy. The Italian holder of the bill uses it to pay the Englishman for English goods. When it reaches the hand of the person on whom it is drawn, and is fitly acknowledged, it has fulfilled its office.—Bill Brokers are a special class of men who traffic in such bills; so that merchants know whither to go either to buy or sell them.

Another mode in which the use of money is economized, is, by transfers in Bankers' Books. If two persons have the same banker, and one of them wishes to pay a debt of £100 to the other, he can draw an order on the banker to that amount. The second presents the check to the banker, and requests it may be put to his credit. Thus no money needs to pass, yet the debt is paid.

When the parties have not the same banker, the matter becomes more elaborate; yet the principle is the same. The mass of payments made through bankers is so vast in England, that the actual currency does but a small fraction of the business of the country.

I previously explained how the first bankers facilitated trade by lending money; so that private traders no longer needed to keep large hoards of gold and silver. Of course the Banking System is feeble, as long as bankers will lend only their own money, which cannot be very large in comparison with a whole nation. But the Banker also receives deposits of *other people's* money, paying either no interest or a very small rate; and lends a large fraction of these deposits, as well as his own ready cash. People are induced so to deposit their money—1st, because it rids them of the danger and anxiety of keeping considerable sums at home; 2nd, because it facilitates both paying and receiving of money. So long as the banker lends prudently, and no public calamity like war or famine occurs, all is safe. In such calamity *no* property can be safe: but it cannot be denied that possible imprudence in the banker is a new and in some cases a serious danger to the depositor.

The principle of the banker's gain is always this,—that he gets higher interest on the money which he lends, than he pays on the money which is deposited with him. Deposits which may be withdrawn from him at any moment, are said to be left *on call*. On such, many banks pay no interest at all. If bankers were to lend so largely as to exhaust at once their own resources and nearly all the money deposited with them, they would be unable to answer the demands of payment made by the depositors. Experience teaches them what fraction of the whole it is safe to lend, and for how many months. If, now and then, the calls on them exceed this limit, and their store of cash is running low, they apply to some other flourishing bank, and get pecuniary aid from it, which is advanced on the security of the actual property to which they can point as their own.

If a banker, instead of lending money only, lends Notes manufactured by himself, payable in money on demand, he temporarily enlarges his capital by it, with an increased gain, but also with an increased risk. The longer his notes remain in circulation, if the number issued in a given time be limited, the greater his gain; for the longer he can defer the day of paying them, the more money he has meanwhile to spare for other purposes.

But how does the banker gain by issuing a note? for it is not yet clear *for what length of time* the person to whom it is lent is willing to keep it idle. — The reply is found in the system of Discounting. A merchant or tradesman has money due to him *three months* hence, say £1000, from a quarter thoroughly reliable; but he wishes to use this at once, for some other advantageous or necessary purposes. He goes to a bank, exhibits his prospects, and asks "accommodation." The bank is willing to give it at suitable interest, say at 6 per cent.; which is equivalent to saying that it will advance to him about £985 now, and get his £1000 three months hence. Probably on depositing his securities, the borrower obtains permission to draw cheques on the bank *as if* he were a depositor of (say) £985. Virtually in repaying £1000, he is charged £15 all but a few shillings, for accommodation. Or if the bank thinks it prudent to issue its own notes, and these notes are in result held by the public for the full three months, and the £1000 is then duly paid, the £15 is a clear gain to the bank, deducting only something towards the expense of the bank-apparatus. A bank in which the public has so much confidence that its notes are readily taken and even stored up like money, makes larger gains and can afford to discount at a lower rate, and is tempted to be less scrupulous as to the quality of the securities offered. The same danger attaches to *new* banks which want to push their way. If a banker, actuated by mercy, lends to a weak house, on unsubstantial securities, he runs the risk of being unjust to other parties: hence very rigid general rules of business are needed, and severe experience of bank failures has barely been enough to teach this stern lesson.

Among ourselves the great eminence of the Bank of England unites all other banks into a single organic system with it. This vast establishment is really a private foundation. Bank Stock is bought and sold in the market like Railway Shares; and the shareholders are the partners in the concern. But the Government employs it as banker to the Treasury, and thereby confers on it a public position. If I bank with any London house, the bankruptcy of that house would involve to me some loss of private fortune; hence I have a personal interest in supporting it. So when the Government enters into relations with a bank, it becomes a direct matter of public policy and economy to uphold its solvency. Much more was this an imperative duty during the great war with France, when the advances made by the Bank to the Government had drained it of gold. Out of this rose the celebrated Bank Restriction Act; which absolved the Bank from

performing *the promise to pay* printed upon its notes, and at the same time declared them to be a *legal tender* in every debt. This great experiment, after twenty-four hours' agitation and panic, entirely succeeded. The public willingly submitted, and the notes continued current. Yet, since they could not be used as legal tender beyond the English dominions, they were less available to a merchant than gold. He who had ten thousand-pound notes could no longer get gold for them on demand from the Bank, but was obliged to buy gold with them as he best might. But since everybody, for the very same reason, preferred two thousand guineas to twenty-one hundred-pound notes, he was forced to submit to loss in the purchase ; thus an infliction was immediately laid on all the holders of the notes. A second or third set of holders might sometimes encounter a similar loss, if, while the deficiency of gold increased, they were forced to make foreign payments. And the deficiency necessarily did increase. because the gold was instantly either hoarded or sent abroad. No merchants paid their home-debts in gold, when they could pay more cheaply in paper, while the gold, once parted with, was recoverable only at extra expense. Consequently all the guineas vanished from the common market.

An excessive issue of inconvertible notes, if persisted in, may suffer depreciation to an unlimited extent. As there is no getting rid of them, they become cheap like any other article which is poured in excess on the market. An eminent instance of this was in the *assignats* of the first French Revolution. Although their value was secured upon the confiscated land, this did not save them from a tremendous depreciation. There are many theories afloat which find ardent supporters, for inconvertible paper. It is to be hoped that if science fails us, our timidity will nevertheless reject all schemes in this direction.

Ingenious persons have speculated on the advantage of a paper currency, overlooking (it might seem) the depreciation of it which foreign trade occasions. But even if there were *no* foreign trade, —if England, for instance, were the whole world,—an inconvertible paper currency would soon be depreciated by excessive issues. For, unfortunately, the best-intentioned statesman has not an omniscient mind, to know beforehand what will be too much or too little. A State which can coin paper, and enforce its passing, has an unlimited power of spending, which is an unlimited power over goods and workmen,— an equivalent to unlimited taxation. This is always liable to a great excess. Since England is *not* the World, foreign trade rejects an incon-

vertible note. Thus the *convertibility* of paper to gold is always practically needful to check depreciation; and any notorious depreciation will presently make the gold vanish.

While paper notes are convertible, all traders find in them the great advantage of portability and secrecy, and the nation saves a vast sum in escaping the wear and tear of gold coin. The Bank of England now has *branch* banks all over England, which issue their own notes and pay for them in gold on demand; in London they are all of them without distinction payable.

It may almost seem that we have reached the point, at which no panic which is not grounded on fear of Political revolution can shake the credit of the Bank of England; which has been unaffected in our severest commercial crises.

SECTION III.—CREDIT AND ITS SUDDEN DESTRUCTION.

Although in my first Lecture I touched on Commercial Crises, I cannot here pass the painful and alarming phenomenon, without explaining it to the best of my power. It forms part of the great system of Credit, in which we seem to move and breathe.

Credit does not create new Capital; yet the phenomena so suggest the idea, that people may almost be pardoned for having believed it. Credit is the principle which allows one man to use the capital of another; and hereby to convert to service capital which perhaps else might lie idle. To put the simplest case: suppose a man of such notorious probity and skill, that, though he was exceedingly poor, people would trust him to any amount. If he desired to enter any business, as that of a shipbuilder, he might pick and choose all that he needed from many quarters. He might take timber out of one store, iron and copper from another, tools of all kind from a third, besides sailcloth, blocks and ropes; he might borrow money of bankers to pay workmen's wages, and construct a ship; finally, having sold his ship, he might replace with interest all that he had borrowed, and retain some handsome remuneration for his own services and anxieties. —Now when we ask whether the nation is any better off for the trust which has been reposed in this man, the reply depends on our ability to judge whether the materials which he has made serviceable would have been applied to equally good and rapid service by others, without need of credit. A large part of the national capital may perhaps meet with immediate employment by its owners; but if all trades are industrious, they are very apt to produce more of everything than can be instantly purchased

for the purposes of other trades. Then Credit steps in to quicken the use. Indeed the more active every trade is, the more urgently it calls for the system of Credit, to aid fresh production. The manufacturer who has just produced five thousand shawls, does not wish his machinery to remain idle and his workmen unoccupied until the shawls can find their way to the backs which they are to grace. Unless merchants of large capital speedily relieve him of them, he must borrow money of a banker *on the credit of these shawls*, and apply the money to buy new materials, pay new wages, and again set his indefatigable machinery at work.

A debt secured upon a *thing* which is in actual possession, provided its estimated value is considerably greater than the debt, is reasonably regarded as safe, and needs not to cause anxiety. But when once this rigid rule is overstepped, and property is lent on the security of personal character alone, infinite anxieties come in and frequent great injustices to innocent creditors. Credit, on the large scale, is too deeply rooted in the nature of our social industry, to exterminate: we have only to think how to improve it; nor does the theory of this seem difficult. But, on the small scale, where mortgaging property is impossible and would be ridiculous, there to destroy the system of Credit entirely seems easy and much to be desired. I refer especially to *shop debts*. Heartily do I wish that shop debts were pronounced to be irrecoverable at law, at least unless the bill were sent in an early, *defined* time. The effect would be, that no one would be able to ask credit at a shop except where he was well known and for trifling sums. All prices would sink to the scale of cash-prices. The dishonourable system of fashionable debtors, who always pay too late, if at all, and cast their deficiencies on other customers in the form of increased charges, would be at once annihilated. Shopkeepers would be rid of a great deal of care, which ruins the happiness of thousands, and a speedy remedy would be brought to the extravagances of young men at the Universities. Nor is this all; but, unless I mistake, another very desirable result would follow; namely, the moral bond between customer and dealer would be strengthened. Very many persons, for the convenience of the thing, would lodge small sums in the hands of their tradesmen, *on account*;—five pounds to the bootmaker, ten pounds to the tailor, ten or twenty or thirty pounds to the bookseller, and so on, according to a man's means, taste, or the size of his family. Those who did not find this convenient, would probably limit their purchases to a smaller number of shops, so that shopkeepers would better know what

amount of custom they had to expect. Certainly the long continued habit of dealing with a particular shop has the advantage of cementing different orders of society; a moral object which is far more important than that of saving a small sum in prices or getting articles of more perfect quality.

If the principle of Credit could be strictly limited to advancing money *on things mortgaged* to the lender, it would extinguish Bankruptcy and all its evils; except where positive dishonesty was practised. At present, a large part of the trading community is necessarily at once debtor and creditor, and depends on the solvency of others for its own solvency. The brewer trusts the publicans with large supplies of porter and ale; and, hoping that they will be solvent, borrows of the bankers himself. The manufacturer, or the merchant at his side, trusts the retail shopkeepers with quantities of goods, and applies to some bank to make fresh advances on the credit perhaps of the sums due to him, as exhibited in his ledger: or he attains his end, by inducing a kind friend, who thinks well of his judgment and trade, to endorse his bill. I see not how to doubt that this network of debts is essentially bad, and nowise necessary.

When a mercantile house which has been trusted largely, fails to meet its engagements, a certain mischief more or less widespread, ensues. Creditors are injured, and possibly, in turn, cannot do justice to *their* creditors; and so on. But it is well if the evil stays there. A worse result is sometimes the moral one—the panic caused in the public by the loss of faith. Moral evils are always our worst evils. Just as, in political affairs, an eminent man, who after being trusted by the nation sells himself to an enemy, does still more harm by the discredit which he casts on all patriotism than by the direct mischief of his single apostasy; so, in mercantile affairs, a general and painful shock is given to all Credit by great and unexpected failures. The most visible and palpable kind is that which too often agitated England thirty and forty years ago, in the form of *runs upon banks*. If one bank had failed, and numerous poor people lost their deposits or found the notes in their hands useless, the holders of notes belonging to other banks would make a general rush to get them changed into gold. Many solvent firms were forced to stop payment for several days, in order to bring down gold from London; but meanwhile the public agitation increased and spread, under the belief that this was a pretence; and when a sudden demand for gold was thus made on all sides, *all* could not get accommodation, and many of the weaker firms were overthrown.

When the celebrated "Bank Restriction Act" had been passed, and in consequence the gold currency vanished, as I have described, a sort of premium was thereby offered to the issuing of notes by private bankers: for if people could not get gold, they did not much care whether they had private paper or Bank of England paper; and many country farmers to this day like the notes of bankers whose faces, houses, and lands they know, better than notes marked with unknown names. Hence private banks exceedingly increased in the latter part of the war. The return to peace brought foreign nations on to the Ocean in competition with us; great losses followed, and before long, as many as eighty-nine banks broke. The next great Commercial Crisis was in 1825, 1826. The country had regained prosperity, yet could not find sufficient investments for its goods. Mr. Canning opened our traffic with the Spanish Colonies of America, which had become Republican. Hence the wildest schemes gained favour. Millions were wasted in unwise hopes, and in 1826 the rebound was dreadfully felt. The run upon the London banks was unparalleled. To economize gold, the Bank of England reissued its old one-pound notes which had been destined to the flames, and the public received them with satisfaction. Eighty banks fell in this memorable time. After it, to avoid similar scenes, one-pound notes were forbidden, with excellent result. The holders of the five-pound notes belong to a better-informed part of the community, less subject to contagious panic. In Lancashire, moreover, the private bankers have entirely given up issuing notes.

A decidedly milder crisis was that of 1837; and still more limited in extent, though violent in certain directions, was the last of these dangerous events, in 1847. It would appear that our merchants and bankers do, on the whole, learn by experience, and that the successive crises are less and less formidable: none in this century seems to have equalled the celebrated South Sea Bubble in the last.—The Natural History of them all of late has been the same. Overflowing wealth makes men long for means of using it to profit; speculating projectors then propose companies and gather money: enormous waste of means follows, and after it comes a universal distrust and unwillingness to part with money. Then honourable debtors who have *property*, and have depended on bankers to advance *money* to them on the security of their property, cannot get advances; for the bankers are forced to hoard the money, in dread of a run upon them. Moreover, those bankers who do not issue notes are liable to have an unusually large part of their deposits withdrawn at such times.—Happily,

the English nation now look on the Bank of England as though it were a part of the State. It is seen that the calamity of its failure would be too great for the State ever to allow; hence its notes are received with absolute confidence. In the last crisis, the results showed that *a temporarily enlarged currency was really wanted;* but the Bank had been disabled from giving this assistance, by a celebrated Act passed in 1844 by Sir Robert Peel, which limited the number of notes that might be issued except when demanded in exchange for gold. It was imagined that this would give additional stability to the Bank. Experience seems to have decided that those were right, who deprecated a numerical enactment which could not rest on scientific principle. The distress to traders from want of money (I do not mean want of *property*, but want of *currency*) continued, until the Government used an extreme right reserved to it, and authorized the Bank to neglect the restriction. Thereupon the pressure for money soon subsided; private bankers no longer held the notes so tight, when they knew that more could be got from the Bank of England; it thus became manifest that *the fear of wanting them was that which caused the want.* Also a strong proof of the Bank needing no such artificial support as the Act of 1844 would give it, was, that its notes were hoarded exactly as if they had been gold.

No system of currency can be good that is not self-regulating; for no statesman can possibly guess how much or how little is wanted. I have explained how far our gold currency may strive to regulate itself, but only when it is *excessive.* When it is *defective,* no obvious supply is open. The bankers, on whom pressure is made, have no resource after their store of Gold fails, but to ask of the Bank of England notes which pass as Gold. But when Peel's Act of 1844 *forbids* this Chief Bank to furnish notes, to applicants however wealthy in goods, nothing remains but to buy gold bullion of the holders, and send it (through the Bank of England) for the Mint to coin. But at a crisis when heavy debt to the foreigner has drained us of Gold coin, the bullion-holders are slow to sell. Perhaps, like the holders of wheat in a season of dearth, they speculate on a further rise in their pay, whatever may be its nature. I suppose they cannot be forced to sell: they have certainly a right to contend that no private notes or bills are *legal tender;* they may haggle for Bank of England notes, which just then the law forbids! If they drive a hard bargain, meanwhile some respectable bank is forced to suspend payment: what then is to be expected but a panic, and a doubt as to the safety of any private bank? The mischief of the law of

1844 has been already several times manifest. It is to me a wonder that it is not forthwith repealed; over and above, until better informed, I think that, unless some far greater change is made, the Bank of England ought to have a right to claim bullion *at par* of any merchant who has lodged it in the Bank Cellars. I understand that every bullion-holder as soon as it arrives in the London Docks, anxiously removes it into custody of the Bank and the public sentinels for safety. Surely for this advantage he ought to accept compulsory payment at par.

You may still ask, When is a larger currency than usual wanted?—The amount of currency needed, generally increases with the magnitude of payments to be made, and the slowness of the circulation. But if chilling fear palsies the commercial heart, the circulation stagnates; notes, as well as gold, get locked up. Hence the moment a panic occurs, the Bank of England will do good service by increasing its notes indefinitely, *i.e.*, by discounting to *all* who have *good security*. But besides, in 1847, food had simultaneously become dear, and great works in railways were going on, which things cause a great increase of spending and a legitimate demand for an unusually large currency.—On the contrary, it is in seasons of prosperity, when Capital is beginning to overflow and Interest is depressed, that the real danger of lending too uninquiringly comes on and on every bank. Those are the times in which the great losses are encountered, the suffering from which afterwards produces the dreadful crisis.

I fear to lead you into a vexed controversy, if I touch on the question, "Whether the Bank of England, being a bank of deposit as well as a bank of issue, is thereby tempted to use its great powers to the public mischief for its private benefit." I have never been able to understand the argument. *Every* bank, I repeat, in times of prosperity and high hope, is liable to lend unwisely; no doubt, if the Bank of England did this, its magnitude would make the results more terrible. But, on the other hand, its rigidity and adherence to precedent go far to secure it from all ordinary danger. Nor can the Bank force Interest up or down at its pleasure. The rate at which it discounts, is dictated by the state of the market, just as all other prices are. When gold is drawn fast out of the Bank cellars, and it is hard to get loans of money, the rate of interest for discounts rises everywhere, and of course rises with the Bank. When, on the contrary, gold is poured in plentifully on bankers, the rate of discount falls.

Another controversy, famous with some, is, about the *mint-price* of gold. This also seems to me to involve a fundamental mistake.

The Mint does not settle the *price* of gold, but merely how much gold to put into a sovereign. This is all that is meant, by saying that the Mint (or the Bank) must give sovereigns (or notes convertible into sovereigns) at the rate of £3 17s. 9d. for an ounce of bullion.

SECTION IV.—SUPPLY OF GOLD.

I cannot wholly omit this topic, yet *figures* concerning it, if I could give them, would not be instructive. I aim only to set forth general principles, of which you may judge; which also may be remembered.

First, do not forget that although Gold and Silver have some peculiarity as Coins, they also have intrinsic value as truly as Copper, which also is stamped and passes as coin. Moreover the principles which determine the values of Gold and Silver as *bullion*, are the same as determine the values of Iron and Zinc: that is, the effort necessary to get them and the abundance of the supply.

But observe, that when Gold is used in ornaments, or Marble in statues, that portion of either is as it were locked away, and cannot affect the market. The same must be true of the Gold or Silver kept in the form of coins.

Next, convenience, not necessity, requires that a State should have a nationally legal currency, and each State may decide of what metals. Old Rome had copper, and it would seem, left the coining of it free. The chief currency of nations is still Silver coin;* but in England it is Gold. We can and do, coin several metals: we can and do enact relative values for the coins,—as a gold sovereign equivalent to twenty silver shillings, and a shilling equivalent to twelve copper pence. But even if such were at *the time of enactment* their relative intrinsic worth, no enactment can hinder change of intrinsic value. In fact if a sovereign and twenty shillings be melted up, the silver bullion is sensibly of less value than the gold. Thus our Mint in coining silver always gains. On this account our silver coins are called *counters;* so too our copper coins; the Government Stamp makes them pass (with us) for more than their intrinsic value. Probably from early times the intention was to give to all their true value; but in copper the heavy pennies and in silver the thin shillings of my boyhood showed how penny differed from penny and shilling from shilling. Indeed, the guinea was first issued for twenty shillings; but the merchants counted it intrinsically worth twenty-one, and before long this was accepted as the legal value.

* Written in 1850.

Lawyers sometimes insert in contracts the phrase—

"Pounds sterling *of legal English money.*"

and without such phrase a Court of Law would so interpret it. But I am not aware that there is any law to forbid us to do as is habitual in Turkey, *i. e.*, to stipulate in a contract for the equivalent of a foreign coin. The Turkish coinage being variously depreciated, contracts that are to last long (as the rent of a house), are made either in Spanish silver dollars (especially the Colonnati), or in gold Zecchini, Venetian, Dutch, or Russian, stamped in mould nearly alike. Thus if an English Firm make contract whether with France or with India, it would be obvious to name whether English sovereigns, French silver, or Indian rupees shall be paid. If the contract be spread over many years, the coin may make some difference in the payment, and quarrel may be caused, if the contract have not defined the matter.

Much has been said concerning the greater convenience of Decimal currency; both for ease of high computation and for ease to young learners of Arithmetic. I warmly assent, yet wish to remind, that when tried by French arithmeticians on the Hour (which required twenty hours in the day instead of twenty-four), they were forced to give it up, after wasting much labor. It may not succeed against trivial habit as to *feet* and *inches* or shillings and pence, any more than with hours. I venture to place before you a skeleton leaflet of *First Principles* which I have drawn up on this topic.

1. Compulsion must not be attempted on the public.
2. The less of new currency, the better.
3. One change at a time. Make the Nation familiar with Decimal *money*, before trying it in Weights and Measures.
4. No change in the value of the Pound Sterling is endurable.
5. The less sacrifice of Public money, the better.
6. Unless the relation of the *pound* to the *penny* is strictly preserved, rule 5 will be grossly violated.

Those who wish to make 1,000 *farthings* in the Pound, or 250 *pence* instead of 240, would cheat every penny toll-bar or penny ferry of one penny out of every twenty-five; that is, of 4 per cent. Parliament would have to *compensate* every toll-bar or ferry to which it has guaranteed the full penny. Nay, that is only the beginning. Every railroad, for every *Parliamentary Train*, now and for ever, will claim compensation. The resistance to such a change must be fatal. Thus, admitting the thing to be desirable, I do not see how it is practicable in our case.

[1885. A young man from Cambridge has simply solved

our Problem. He pleads with the Mint for a gold coin worth twenty-five shillings, that is, four of them weighing exactly five sovereigns. Then the half-crown is a tenth of the new coin, and the threepenny-piece is one-tenth of the half-crown. No change is needed in the value of our existing coins: we only need new *names*. I regret that I lost the letter that gave his name.

I now propose an *Imperial* as the name of the largest gold coin, of which *four* count as 100 shillings or five pounds; the half-crown may be called a *Coronet;* and the threepenny-piece, in old Norman a *Trois*, may be called a *Troy*. Then, every banker and merchant who *chooses* may keep his account decimally in

"Imperials, Coronets and Troys," *instead of* £ s. d.

Bankers may refuse to notice pence *less than three*.

If the Chancellor of the Exchequer for a few years issued the Total of his Budget both in the present form and likewise in Imperials, a majority of the public would soon follow. This solves our Problem. People wrongly talk of Decimal *Coinage*, meaning Decimal Currency.

Since Gold is now the currency in the American Union, in France, and in Germany, Silver is depreciated. The Mint would gain sensibly by issuing loads of *Silver* Coronets and Crowns; which, I learn from a Manchester banker, are much needed in the North. This is the only legitimate way of relieving the Indian silver market. Mr. Childers proposed to issue lighter half-sovereigns, *not legal tenders* except for fractions of a pound. If made in *the form of a ring*, so as to be felt in the dark, gold counters of fifteen shillings as well as of ten shillings would be highly convenient. So would the silver threepence be far more convenient, if it were in the form of a ring, and nearly as large as a sixpence.]

Notoriously the supply of gold and silver brought to Spain from the conquests of Cortes and Pizarro suddenly and greatly cheapened these metals. But no one will deliberately assume that thenceforward the yearly product from the mines exactly balanced the wear and tear in coins and in ornaments, or that the value of an ounce of gold has continued always to bear the same exact relation to an ounce of silver. All enlargement of trade implies an enlarged currency; but in fact, the use of bankers' cheques and merchants' bills have more and more economized the use of gold or silver in trade. The Mint in London and the leading bankers can every year know whether bills are hard or easy to get; that is, whether we are on the

whole more indebted to foreigners, or they more to us: but that does not in itself inform us whether Gold is getting dearer or cheaper.

Of necessity a sort of *race* is always going on between Gold and Goods. Machinery, Skill, and active effort is ever multiplying articles to be bought, while fresh gold ever enlarges our basis for currency to buy the goods; but we soon may make ten purchases in one day, and ten sovereigns may suffice as basis for £600 in cheques and notes; so that no direct comparison is possible.

It is often imagined, that if the gold in each man's hand were miraculously doubled, the price of everything would be doubled, or at least, would *tend* to double itself *ultimately*. But not even so corrected is the statement true. Imagine a possibility. Gold is said to be found in California, and Sir Roderick Murchison expects that it will be found in Australia. For anything that we know, it may come in with a rush as formerly in Spain. Let us try to anticipate what will follow. Such gold is in inclement wildernesses: to work in them is disagreeable toil, suited to men of unrefined tastes and robust bodies. On getting unusual gains, such men will spend first in expensive food and drink, and other special indulgences. Possibly tidings of their good luck may allure so many to the gold-fields as to raise wages locally; but again, this enrichment of the poorer classes would by no means spread demand equally over all articles, but when one article out of ten became dearer, nine out of the ten might be somewhat cheapened, because sellers found pockets drained by buying things now driven up in price. I have said enough to show how irregular and uncertain would be appreciation, even if the new gold-fields continued highly productive. Beside, from such new gold new industries would arise and other large changes.

LECTURE XI.

National Debt and Poor Laws.

SECTION I. —MORTGAGES,—PRIVATE AND PUBLIC.

Debts attached to definite pieces of property, I have avowed to be legitimate and safe transactions. Nevertheless, there are certain kinds of property as to which mortgages are extremely undesirable, namely, when a divided ownership is embarrassing. Whether a bale of silk belongs to one man or to ten, matters little; but if ten men possess the same house, the case is awkward enough. This actually happens in India. In many districts of the north the families used to practise a sort of communism, which our magistrates did not understand. Five families, perhaps, lived in one house and possessed one farm: they elected their best man of business as manager and trustee. If he was unfortunate, and could not pay his taxes, our collectors sold *one fifth part* of the property by auction; and the purchaser found himself to have a legal title to some fifth or other of a certain house and some fifth of a certain field; but which fifth he did not know. A report made by a Government Commission a quarter of a century ago described the confusion of property, the violences and the entanglements of industry arising from this cause, as so frightful, that any injustice which should really settle some one in possession would be preferable.

Such a state of things is a sort of extreme limit, towards which mortgages of land more or less tend. A mortgagee is never regarded by us as a part-owner, nor has he legal power to touch the article mortgaged, unless there is some failure in performing the contract: but if land is thus mortgaged, and an annual payment from it stipulated, it may easily happen that the fact itself impedes improvement by crippling the landlord. All landed estates which have been long in the possession of one family naturally become encumbered by settlements on sons and daughters; so that after several generations the ostensible proprietor inherits all the pride and name of the estate, with all its habits of expense, but with exceedingly reduced means. It is desirable, alike for the individual and for the public, that some limit be set to the legal amount of fixed charges on land. For the

individual; because few men have strength of mind voluntarily to sacrifice the show of large possessions, however great its embarrassment; although it would be for their welfare to sell a part of the estate in order to pay off the debts. For the public; because a deeply encumbered landlord is unable to promote those permanent improvements in cultivation, for which tenants look reasonably to landlords. But here a Political is still more powerful than the Economic reason. The Feudal position of a landlord is by no means wholly obliterated. Political influence exceedingly depends on landed property. Hence there is a powerful temptation, not merely not to sell land in order to clear off old burdens, but even to buy with borrowed money. If landed property is to have political influence, the nation has a right to insist that the property shall not be fictitious. No class of persons is more dangerous to a State than those who have the external pretensions and pride of aristocracy, combined with real indigence. Hence political reasons confirm and justify the propriety of a law which Economy would suggest, to limit the legal extent of landed incumbrances.

Similar remarks apply to underletting. If the State parts with the land to individuals, this can be justified only by its coincidence with the public benefit. It is, therefore, a very legitimate topic for public law to regulate—under what circumstances and to what extent, underletting, or even non-residence of proprietors, shall be allowed. All these things have swelled the misery of Ireland.

Some meritorious Economists write in such a tone concerning Credit, as apparently to justify the satirical representation, that the great use of a high reputation is, to assist one to get into debt. The system of debt does indeed seem to pervade English industry to a formidable extent. A man spends £20,000 on works, and immediately mortgages them for £10,000; which, added to his remaining capital, enables him for larger business. Now if we ask,—Why was he not satisfied to erect smaller works, and conduct them without borrowed capital? the reply is, that he hopes to get an average of 8, 9, or 10 per cent. for his capital in trade, while he will pay 4 or 5 for that which he borrows on the security of his fixed property. If so, it is like a loss of 4, 5, or 6 per cent. on £10,000, if he refrain from borrowing, or from £400 to £600 per year: indeed the more he can borrow on the credit of his works, the greater his expected gain. Men subjected to this temptation, are apt to forget the slavery and the dangers in which all considerable debt entangles one; and it may be

suspected that the system is often carried much too far, so as to precipitate calamity when a great market is shut or new taxes are imposed.

But in nothing has this system of mortgaging been so prodigious as in regard to what used to be called the King's Debt, but is now, in courtesy to royalty, named the National Debt. It is a mortgage laid upon an intangible sort of property,—upon Taxes; and is at present about 770 millions. There could not be a more signal breach of the much-boasted but much-violated English Constitution; for it belongs to each House of Commons in turn to enact taxes at pleasure, and no existing House has any right to engage that taxes shall be voted by its successor. I pass rapidly over this and many kindred topics, as political, rather than economical. If, however, taxes are to be mortgaged, at least some limit needs to be set, both as to the total amount to which we may dare to burden following generations, and as to the length of time. To undertake eternal payments is a monstrous absurdity. Indeed if all our loans in time of war had been contracted with the condition that interest should in no case be paid for longer than one hundred years, they would have been obtained either on the same or on very nearly the same terms; and our debt at present would be of a very manageable amount. It is an excellent rule established in many of the American States, that no interest or payments shall be guaranteed on any loan for more than thirty years: hereby each generation is made to bear the burden of its own wars. Those States, however, have independent systems of taxation. In England, where a centralized treasury absorbs payments from every county, it is to be apprehended that the blocking up of one drain on its wealth will only lead to the opening of another.

In ancient monarchies and empires, the ruling power always regarded it as of first importance to have a well filled treasury of reserve: and the very knowledge that such a store existed, gave strength to a government. This we now leave to semi-barbarous powers. Let the Shah of Persia on coming to the throne eagerly take possession of his father's treasures: let the notoriety of his wealth make all the petty potentates around tremble. The crown of England disdains such aid: it allows the money "*to fructify in the pockets*" of the people, well assured that it can be had in any emergency.—I fear, indeed, that this doctrine is invented to console us in our mutilated state, like the theory propounded by the Fox who has lost his tail. If one-hundredth part of the millions which have been wasted in abortive or hurtful warfare,

since centralized taxation began, had been lodged safely in the Tower of London, and no debt had been incurred, far more money would have been left "to fructify in the pocket;" a reserved treasure of ten millions might lie in the Tower, and the people would be *more* willing than now to bring out their stores in real need. At present, the supreme Government is in unseemly dependence on a few moneyed capitalists, who do not choose to lend large sums, unless they be added to the old debt. Only one way exists, by which it is at all hopeful that this monstrous system can be brought to an end, viz., by converting Perpetual into Terminable Annuities. Unless this is done in good time, a violent catastrophe is exceedingly to be feared, from the want of moral basis in the whole transaction.*

However, no evil can be inflicted on men, no loss, no injustice, but long time and kind Nature and incessant strivings mollify it. If a volcano were to overwhelm our fertile fields, we should after a time quarry into the lava to make houses and snuff-boxes; we should export it, we should build upon it; and a theory would come forth, that the apparent calamity was a source of riches to us. Just so it has been with the National Debt. As the government is a steady paymaster, shares in the Debt are bought and sold: it is called the public *Funds*, and is vulgarly thought to be a fountain of mysterious gain. Bankers, Insurance Offices, and Trustees hold a large mass of it: annuities in it are bought for household servants, and an interest in it is diffused far and wide in the community. A theory is in consequence started, that a National Debt is really a great national convenience.

It may nevertheless seriously deserve examination, wherein consists the mischief of a Debt, if the interest be paid only to individuals of the nation. The primitive mischief of course was, in the wasting of the capital. But as, in all probability, the larger part of that capital would have been wasted quite as much in some other way, either on immediate enjoyment, or on foolish schemes;—since, in short, England overflowing with capital as she is, we must forget that waste, as something past and gone. If so, our present position is exactly the same, as if our rulers had arbitrarily enacted that *one part of the nation and its heirs should for ever pay a vast tribute to another part of the nation and its heirs.* The nation collectively would not be the poorer for this, unless

* No method can be effectual, which demands the vigilant action of a succession of ministers. The celebrated *sinking fund* which was to pay off the Debt, merely increased it by eleven millions. The necessary settlement must be made by a single, public, legislative act.

the receivers of the tribute were in consequence made more idle. In part, that might follow: but if there is so much energy in the wealthier classes, that this can hardly be alleged as the evil, such an arrangement (apparently) must tend, not to lower the average wealth of the people, but to aggravate the contrasts of wealth and poverty.

What is called "the convenience"* of the Debt, viz., that it affords people an easy investment, appears to me one of its own grievances. The State has virtually taken on itself the responsibility of finding investments for individuals, to the amount of twenty-seven millions a year. This can only be done by the labor and thought of the residual community.

The payments for the Debt are borne by Great Britain alone, the taxation of Ireland being very small. We may then say that a population of twenty millions, or four million families, pays twenty-seven million pounds sterling; or, on the average, nearly £7 per annum for each head of a family. As I before said, *old* taxation tends to shift itself equally over the whole community by affecting the prices of *most* things, even the rate of wages; but this is only a tendency, not an accomplished fact. No one can form any near estimate what is the real direct burden to poor or rich. But let us imagine that the equalizing power of long time had ground off all the asperities of taxation: it will still remain to inquire, whether the nation is the worse for a tax laid upon one part and paid over to another part.

Economically, we at once object to the expenses of the machinery. The collecting of these taxes probably costs two millions a year, and the managing of the debt something considerable: this is obviously a clear loss. But an enormously worse evil rises out of the want of a moral basis in the whole affair which I shall presently examine more closely. If all the taxpayers were willing,—I mean, if men paid the tax as willingly as their

* Another alleged advantage of it, is, that it makes the moneyed classes so "conservative," and thereby diminishes the chance of domestic tumult! Might we not rather put it thus: "It exposes the State to such extreme danger from temporary disorganization, as to give tremendous power to agitators who are too ignorant or too frenzied to regard the danger?" We have seen in Paris, that the moneyed classes disliked, yet promptly accepted, a republic, merely because they dreaded nothing so much as a new struggle. Perhaps a future age will count it to be the great calamity of the nineteenth century, that the political judgments and aspirations of the wealthier and more cultivated classes are paralyzed by financial dangers. Hence low, ignorant, and desperate demagogues derive an astonishing power. The selfishness of wealth needs no artificial increase.

legitimate debts,—it could be paid with little loss by a direct impost; but now it has to be scraped up in a variety of means, which impede and cripple industry.

That England is able, if she were willing, to terminate her debt, appears undeniable. Since we have been a nation, never were we so rich as now. The mere abolition of restrictions on the import of food has recently made us at least twenty millions a year richer than we were; and the capital which in times of overflow used to be wasted in wars or in foreign speculations has been employed of late in railways, not always beneficial to the undertakers, but certain to be ultimately beneficial to the nation. Our numbers are double what they were at the beginning of the century, our taxation far lighter than then. It is not the total sum, but the mode of raising it, and the want of good heart, which is embarrassing.

But I now approach State Loans from a more general view, to consider who pays them.

SECTION II.—STATE LOANS.

That when a Government spends more than it receives, it is very apt to play hurtful tricks, is matter of very old experience. That under these circumstances it is glad to borrow largely, is also plain. Borrowing and Beggary are so near akin in private life, that it is natural to expect their conjunction in public affairs. On the other hand I have alluded to an old-fashioned school, perhaps not very small, though it seldom speaks loudly, which laughs at our National Debt as a harmless bugbear and thinks of it simply as a great convenience to Bankers and Brokers and all who want a *temporary* investment of money. Even Macaulay, keenly as he bantered Southey for the notion that the National Debt is "a momentous benefit to the country," nevertheless looked somewhat compassionately on the alarms with which the historian David Hume regarded the growth of the debt in its earlier stages. The ease with which England has borne the weight under which the Continent expected us to sink, has possibly aided to corrupt the Despotic Powers into a belief that they may with impunity run the like course. The Hungarians indeed, whose Parliament always protested against Austrian borrowings and never would commit itself to participation in them, took harmless vengeance in a jocose tale, which Mrs. Palszky has given us in her pleasant "Traditions of Hungary." A Hungarian knight therein mortgages his estate deeply, encouraged

by a profound Friar, who had taught him that among animals Man is distinguished, not by strength, or swiftness, or skill, or industry, but by "ability to borrow." "A day will come," said the inspired man, "when Civilization will be tested by the use which the nations make of their greatest human prerogative, CREDIT; when those will be the most powerful missionaries of civilization who have the largest National Debt; though there will always be narrow-minded fools to preach Financial Reform, unaware of the Constitution of mankind and of its glorious privilege."

The Popedom took the lead in this civilizing process,—this mortgaging of future taxes. It is a process, which, like all other uses of Credit, is profitable or ruinous, according to circumstances. In private business a loan contracted judiciously, by those who have property and need money, may be not only legitimate, but necessary; while debts, contracted by a poor man beyond his power of repayment, are obviously a short road to ruin. Even excesses of this kind may be borne, though not without mischief by an industrious nation which every ten years is more populous and richer; yet may prove destructive to a State whose population is steadily dwindling.

Behind all other questions involved in National Debt, lies deeply hidden that of its *morality*. To evade this enquiry is the last thing which I desire. The morality of a pecuniary transaction is not of a highly recondite character, nor do we need other than familiar processes of analysis. The matter of chief importance is, to reduce the problem *first* to its greatest possible simplicity and exclude everything extraneous. Afterwards we must add, first one, next a second circumstance, ever approximating towards the actual case, and consider how far they affect the results.

Let me then begin by supposing all the taxable property of a nation to be accumulated in the hands of *one man*: moreover, to exclude merely political complication of the problem, suppose the Government which taxes to lie (as does the Honourable East India Company) entirely outside of the community which is taxed. We may imagine the Government in some one year to desire an extra £200,000 for some small war. When the demand is presented to the taxpayer, he grumbles so much that the Finance Minister consents to *borrow* the money of him, promising him 5 per cent. upon it in future years. On this understanding he parts with his £200,000 willingly and rejoices inwardly in the £10,000 a year which he is going to add to his income. But when the year ends, he finds £10,000 added to the yearly taxes as interest of the debt, and as he is the only tax-payer, this sum is

necessarily exacted of him, but is immediately after repaid to him as interest of his patriotic loan. The same process is repeated in every successive year. Hence he needs no deep financial insight to discover, that he in reality paid down as a *direct tax* the whole £200,000 without ever getting a shilling of it back, though he had been graciously permitted to advance it as a loan. Whether 5 per cent. had been promised, or 50 per cent., to him the result is the same; for whatever his nominal claim, he himself has to bear a new tax to meet that claim. No balance of money replenishes his coffers, after his advance of the loan.

If, instead of *one* tax-payer, there had been *ten* of equal means, each advancing one-tenth of the loan, namely £20,000, and each expecting £1000 as yearly interest, the case would remain as before, if we suppose them all to be equal in income, and the taxation to be equitable, therefore equal on all, for each would have to pay £1000 more of taxes, and simultaneously would receive £1000 as interest due, the claim of each neutralizing the additional tax. Again, if three of them clubbed together as partners taking *three-tenths* of the loan, that is £60,000 among them, and expect £3000 as yearly interest, they will have to pay a new yearly £3000 as their share of the new taxes. The division by ten and the multiplication by three, are here arbitrary. Any other numbers would yield the same result; and we have seen that the nominal rate of interest fails to effect it. Thus we safely reach the conclusion, that in whatever proportion property is held, and by however many individuals or companies, yet if taxation is strictly just, and the very same persons who advanced the loan (*and none others*) are taxed to pay the interest of the loan, the loan is really undistinguishable from a direct tax;—since (we need not say) that those that lend the money have got the money to lend.

Change the case. Suppose only two tax-payers, A and B, equally wealthy, and that when the demand of £100,000 comes upon each of them, B shows himself so reluctant, that the Chancellor resolves to *borrow* the whole £200,000 of A, who (at 5 per cent.) now counts as before on an accession of £10,000 to his yearly income. But since A and B are each taxed an extra £5,000 to defray the interest of this loan, A finds that he has added to his income only £5,000, which is the interest of the £100,000 advanced by him *in excess* to the Government; but B is indebted to the Exchequer in a like sum as a penalty for having evaded the claim originally made on him by the tax collector. This suggests what might have come about, if the Government had

insisted on direct taxation, though B could not without grave sacrifice raise the money. B would apply to A for a loan, mortgaging his own property as a security. Then, if *(what is a very important condition)* A lent the money *at the same rate* (5 per cent.) as the Government paid, B pays exactly the same sum at the year's end, namely £5,000; but now pays it to A, *not* to the public Exchequer. In neither case does A ever recover any part of £100,000 originally claimed of him as a direct tax, any more than if he had been the sole taxpayer.

Most hearers will of themselves see that it does not affect the result, if we suppose the symbol A to represent no longer an individual, but a commercial Company, such as were those of the Roman *publicani*, or one presided over by a Baring or a Rothschild. If we first imagine A to contain a hundred or a thousand persons, holding equal property (therefore equally taxable), holding also equal shares in the Public Loan, this does but distribute among them, first the burden of the loan, next the advantage of its interest. Nor does it make any difference whatever to B,—who evades in the first year the large sudden extra tax, and in after years has to pay interest on the sum evaded,—whether A. be an individual or a company.

Also, if we separate the payment made by the company A into two parts—first the £100,000 which fell on themselves directly by the tax, next the second equal sum entailed in their loan,—we see it to be irrelevant to this argument in what proportion they hold *shares* among themselves in this latter *investment*, for such it is. The result is the same, both to the Public Exchequer, and to B.

So again, if B, instead being an individual, is a company or even a nation of men, differing largely in wealth among themselves, neither does this in any way change our conclusion, if collectively their taxable wealth is equal to that of A. If it differ, then the total sum advanced by A must be distributed between A and B in due proportion to make the impost equitable. If for their convenience the Government has borrowed the whole from A, then it repays to A annually the extra sum which it lays on B. But if by insisting on immediate complete payment, it drive B to borrow of A, then (under my hypothesis) year by year B pays interest to A instead of paying the same in taxes to the Exchequer.

I say *under my hypothesis*. What do those words mean? They mean "the important condition" that B was able to get from A the necessary loan *at the same rate of interest* as the Government

allows to A. This condition is the prime matter; the uncertainty and difficulty here involved make a State Loan *(if the money must be had)* vastly milder to a nation than the demand of instant payment. A historical case, not wholly imaginary, will put this in a strong light.

In the old Roman republic a Lucullus or a Pompey may have been about to lead an army against Mithridates. The Senate sends out to him a certain amount of money and warlike supplies, and orders him to make requisitions on a large scale from all the towns and petty kings in Asia Minor. The local Prefects from Rome of course obediently assist. The Commander-in-chief puts pressure on all the kings, through whom every town and village is called upon for large contributions. The country farmers are mulcted of corn, sheep, horses and carts; but of the towns and larger cities money is specially exacted. Sometimes it was at once forthcoming. But if (as often happened) the towns had already been largely drained of gold and silver, they had no escape from borrowing it. The omnipresent *publicanus* offered to lend the sum required, and the very fact of his offer made the general relentless in his demands. The town or city which was able to borrow could not plead inability to pay the tax; and the *publicanus* had admirable vantage for screwing up the rate of interest for money paid down on the moment. We know from Cicero's letters that Roman knights whom he knew to be agents of his virtuous friend Brutus exacted of the Salaminians 4 per cent. *per month*, in spite of the decree of the Senate, which prescribed 1 per cent. *per month* as the maximum.—Without going back to times of such Pagan cruelty, we cannot but see how much more merciful to all rather needy people it is (if needy people *must* be taxed), that the Exchequer itself should borrow the money *for* them rather than force them to borrow it from a professed money lender. For of necessity his risk is far greater, his power of recovery is not at all equal to that of the State, even when he lends to a Corporation. The oppression would be unendurable, if individuals had to borrow on the strength of their own credit; and in the Roman Provinces the universal wail of the towns was their suffering from the incubus of debt. Though in these days no such rate of interest is likely to prevail, as the moneyed Order of old Rome thought reasonable, yet under a system of Direct taxation, to supersede State Loans, the interest would range far higher than a Peel, a Liverpool, or a Percival ever sanctioned. Thus *if we forbad State Loans indebtedness might burden the community in a far more ruinous scale.* That the Government might

borrow at a higher rate of interest than the average of private borrowers would have to pay, is a hypothesis too improbable to need notice here.

But undoubtedly I have hitherto introduced as a *postulate* what has nowhere been realized as a *fact*, viz.—that a system of taxation shall press with strict fairness upon all, being proportioned to every man's total wealth,—or, perhaps more correctly to every man's reasonable surplus over the necessity of his household. On this ground it may be urged, that my argument unjustly favours the system of State Loans. But the objection has a double edge. For if the substitute for the Loan be immediate taxation, that taxation is (by hypothesis) tainted by various unfairness. This is *in either case* to be lamented. Indeed inasmuch as men of equal *property* have unequal *income*, and men of equal income have very unequal *parts* of that *disposable*, every scheme of taxation must often press with great inequality. But in fact, unless I mistake, this very thing is an argument in favour of State Loans, not an objection to them. If England in a new war needed to raise fifty millions additional in the year, then precisely because it is far harder, without unfair inequalities, to lay on new taxes that amount to *fifty* millions than to *three* millions (which here means the yearly interest on fifty calculated at 6 per cent.), therefore it is less oppressive to invite the fifty as a loan. Indeed the new machinery requisite to raise an additional fifty millions by taxes wholly new would be very wasteful; while, if old taxes be increased largely, every evil of those taxes is intensified. When they are levied on articles of consumption, they promote adulteration or smuggling, and in numerous ways cripple industry. When they come as a sudden demand of *cash*, whether assessed on income or on houses, on pieces of property, on rank or on symbols of rank, they entail on a whole community severities analogous to those suffered by the poor from a poll-tax, or from refusing to take Rent in *kind*, and insisting on payment in gold or silver.

Some are warm admirers of an Income Tax to supply a suddenly increased need of the State. I fear I must differ from high authorities, but will briefly vindicate my belief that a strictly permanent Income Tax (if tax-payers are conscientious) is peculiarly excellent, but an Income Tax moving up and down is highly objectionable, and justifies the outcry of its being unjust to transitory income. I need to open this topic distinctly.

It is economically undeniable, that where the conscience of a nation approves of the Public Expenditure (a general condition of faithful tax-paying), an *immovable* Income Tax is the best of all

taxes, and the longer it lasts, the less is it felt. Indeed after one generation it is hardly felt at all; and this, whatever the scale. I mean, that the rate may be so levied on mere *surplus* as to weigh heavier and heavier on the over-rich. The fraction claimed as tax, *be it what it may*, after custom has become fixed, is never reckoned by the payer as his own. As a practical illustration, I adduce the case of a Professor of Chemistry, who, in estimating his professional income, deducts from the fees of his pupils not only the hire of his rooms, but also the expense contingent on his experiments. If he be a member of an Educational College, which accepts the fees for him, and intercepts a fixed fraction of them to defray general expenses, he is sensibly in the position of a tradesman or rent-receiver from whose income the Government intercepts that same fraction to defray the public defence. If he was born into the system, all his style of living is accommodated to it. After it was fifty years old, even if incomes of £500, £5,000, £10,000 a year paid respectively the different rates of 5 per cent., 10 per cent., 20 per cent., the recipients would reckon on the sums £25, £500, £2,000, demanded every year from their receipts, as no more any part of *their own* incomes than now a landlord counts the sum payable to the representative of the tithe-holder.

But the case changes entirely, as soon as an *increase* of the Income Tax takes place. The demand being of cash, and not calculated on, the payer must lessen other out-goings, which in the first place distresses all who are living up to their incomes, and secondly, impoverishes some trades which lose their custom. And if in a couple of years the tax *is taken off*, the injustice is felt widely that it has pressed unduly on transitory income, since the holder of £1,000 a year for *two* years only has paid as much as another who has a perpetuity of £1,000; while if the former had invested in Government Stock, it is much if he got 4 per cent., which is in some sense a public avowal that his real fortune is under £40 a year.

The complaint against transitory *income* being taxed at the same rate as *perpetual* income is a simple blunder, if the tax is perpetual and unchanged; rather as the logical inference, the complainers ought to demand that the tax shall be perpetual. The longer it lasts at its fixed rate, the less is the injustice done to transitory incomes. Yet tradesmen *never cry out against its remission;* a fact which denotes that their real objection to it turns on other grievances, especially on the length of time which merchants need before they can certainly know how much they

are gaining or losing, and whether the sums *due to them in a ledger* are real and available property: add to this, the despotic powers which are deemed necessary for the High Collectors. In fact, a sudden increase of demand for hard cash is often as distressing to those who live on a small fixed income, as it is to shopmen, merchants and producers.

To all producers payments in kind are easier than payments in cash, but tithe owners and landlords naturally prefer solid coin; *so do Governments.* Indian rent-payers have suffered and suffer dreadfully from the E. I. Company's demanding cash payments for Rent, which is there (must justly) accounted a public *tax.* But our innovation forces the wretches to get cash for the Rent by mortgaging standing crops to a money-lender.

The difficulty of screwing coin out of petty farmers made our old kings borrow money from the towns and of the wealthy guilds of London, before the idea of *National* debt by permission of Parliament had arisen. This too it was, which made kings in old days anxious for hoards of the precious metals under their own lock and key. It is possible even now to enquire whether in theory that is not the wiser plan, though with our vast Debt, the very thought is absurd. To keep money idle in a royal public treasury while paying interest on hundreds of borrowed millions, would be insanity. But if the Debt were once cast off from our neck, it would not be unwise in a conscientious and frugal State, which abhorred aggression and the wicked outrage of unjust war, to keep a moderate Reserve in its Treasury, just enough to act on our Finance as a fly wheel in machinery. This would facilitate contentment with approved old taxes and an avoidance of new ones, which are very apt to be vexatious; and it would keep the State independent of great Money Lenders. Such a course of conduct demands much prudence and self-controul. If, when David Hume first began to write against our dangerous National Debt,—say, when it had reached fifty millions,—a law had been passed denouncing, as Usurpation of a future Parliament's right, to promise anything from taxes of the future, and appointing an early day for extinguishing the then existing Debt, it would be celebrated in all after-history as a just, highly needful and most beneficial enactment. It may seem a paradox to find it chiefly in semi-barbarian or Oriental kings. But probably the true reason why the Persian or Assyrian, the Indian or the Turk did not borrow, is not to be found in his prudence or economy, but rather in the boldness with which he could commit rapine on conquered tribes, while he softened it by indiscriminate acceptance of every

valuable article, whatever its kind. [Yet we must remember that *Religion* forbade the Turk to borrow: he had no *right* to sponge on his successors.]

It may further be asked, whether the method of State Loans really casts this extraordinary expense *on the Future*, which is generally supposed to be an Axiom. The question may be examined by aid of the reasonings above laid down. Hitherto we have supposed the loan to be accepted in lieu of tax from payers actually taxable. Evidently the case is different if the loan be advanced by an untaxable foreigner. So long as the lenders or payers are subjects, the State, whether it tax or borrow, cannot get more than the community possesses. It is taken for granted that *movable wealth* of a people is the absolute property of the existing generation. It is made for consumption, and most of it will perish of itself, if it be not used. If it be wholly applied to transitory indulgence, or wasted in wars which at most bring the pleasure of victory, the next generation will be worse off than if it had been worked into an abiding form serviceable to posterity, or had been expended in raising the intellectual and moral state of parents and children alike. But it is one thing to say that our fathers might and ought to have done better for us, another to say that they have defrauded us by unjust compacts. Nevertheless the latter generally happens as a result of a *Perpetual* Loan; namely, because the A and B who by the loan evade the immediate taxation, do not continue as the Perpetual and *Sole* payers of its Interest. If the generation B dies off, and a new generation β succeeds to the property of B, β inherits the property *with its liabilities*, and is not wronged by having to pay continuously the interest of the loan. This is eminently clear in the case of a landlord inheriting rent. Whether it came to him by bequest or by purchase, it came burdened by its liability to pay perpetual interest on the loan. So far all is fair. But when the mass of a nation is called on to pay such interest, many millions of them have inherited *nothing* from their forefathers, nothing that under any case could have been mortgaged for a debt. To borrow on the security of *tangible permanent property* is an honest open transaction, and lays the future tax on the shoulders of those who evade a large immediate tax, and after them on their heirs. But to treat *future taxes* as the property which you mortgage is a widely different affair; for it shifts the burden from the existing rich and their heirs on to the future progeny of those who are too poor to be taxed. The longer such a system lasts, the more widespread is its injustice. Even masses

of those now rich who pay interest on the Public Debt incurred in the Seven Years War, or the Canadian War, and War against the American Colonies—sprang from poor ancestors, who could not justly transmit any burden to their needy children. For I assume that a child born and growing up without inherited property cannot be justly made answerable for debts contracted before its birth. On this ground, it seems that *every* Loan ought to be repaid in a very few years, say *ten* years, on the mere ground of pure Justice.

With excellent reason did David Hume insist as a necessary restriction of Ministers, who are always pressed from many sides to launch out into extravagant spending, that to allow them to promise perpetual interest is as rash a folly as to give facilities of borrowing to a spendthrift boy. But in England, with her Parliaments lasting at most seven years, often five only, it is an evident *usurpation* to dictate how a *future* Parliament shall levy and dispose of its taxes. A Minister ought to be severely called to account for such malversation. He has obtained money by illegal promises. *The vote of a Parliament does not justify him;* for no existing Parliament may usurp the taxing power of its successors. The deed is unconstitutional, and as being a usurpation, may fitly be called Illegal. Only by so pronouncing are we likely to arrest the *principle* of Perpetual Debt, and extinguish, by some compromise, the nuisance.

Of course in severe *National Danger* no one could blame any modest encroachment on the rights of a Future Parliament, *if no other course were open.* But if England be as patriotic in *real* national danger as the old Romans were when Hannibal was roving in Italy, the Executive *will never need to promise interest on a Loan.* The Senate did then call for a large loan, and promised —what? Merely that the Treasury would repay it by instalments, *as soon as convenient*, and *without interest.* They easily got the money, and in due time faithfully repaid it. Surely there is a lesson for us.—But the talk of "severe National Danger" is with us ridiculous. Of our eight hundred millions of debt not a single pound was ever borrowed under the pressure of real danger to the life or prosperity of our nation.

If we do not narrow the question to England and modern Europe, obvious cases present themselves in which all will justify a moderate mortgaging of the industry of the future poor. In antiquity, foreign conquest often led to the selling of the conquered into slavery. If Thebes, when attacked by Alexander the Great, had been able by a sudden *foreign* loan from Corinth to repel him

successfully, the poor Thebans of the next generation, in paying towards the interest of that loan, would have blessed them further for redeeming their liberty at so light a price. But we need not go so far back for illustrations. If in liberating West Indian slaves, we had settled them on small plots of our tropical islands, and required them to pay up our celebrated Twenty Millions, it would have been less generous, less worthy; but the Freedmen would certainly not have murmured, and the same may be said of Spanish serfs in Mexico and elsewhere buying their own freedom. But such topics here lead us too far astray. Suffice it here to say that the issue of Exchequer Bills or Bonds on a rather larger scale, to be redeemed within seven or ten years, would be a virtual anticipating of taxation, but without any violation of principle that could earn reproof. Perhaps I ought not to omit notice of certain objections, either plainly stated or obscurely imagined, against Government Loans, as though they depressed wages, raised interest and depreciated the currency.

Its depreciation is a bad thing; and yet, in comparison to the ordinary calamities of war, not a very bad thing; in fact it is but a trifle by the side of the miseries involved in having one's country the seat of war. Yet to connect depreciation of the currency with loans is an arbitrary fancy. In so far as a loan is a *bonâ fide* transaction, it transfers money from hand to hand, and leads to its being spent in one way rather than another, perhaps especially on armaments: but this in no respect affects the currency. It does not make a gold coin or a bank note less or more valuable. All that the loan can do is, to sustain or hoist up the rate of interest, and a like tendency belongs to new taxes which intercept private capital. Evidently the payers of huge taxes have thereby smaller cash balances at their bankers; hence the total loanable money is lessened by the exact amount which the Government takes from the nation to spend in its own way. Indeed a loan to Government, and an equal loan asked *and obtained* of bankers by a mercantile Company, cannot yield different economic results, as long as the Company's concerns repay *no profit* to the Shareholders. Finally as to the depression of wages, all use of capital less productively than might have been, assuredly has this tendency, every unsuccessful bank, every foolish railway or steam ship scheme, every bubble company, which collectively may waste millions, keep down wages. So too does wasteful public expenditure, equally whether the money wasted be obtained by taxes or by loan.

In passing I observe, that in a thriving nation mere *third-rate*

wars, or other expensiveness of Government, can do no other mischief to trade or to wages than precisely that which the caprices of fashion do, namely, disappoint this or that trade by a sudden change of demand. For if the nation saves capital continuously, hitherto it has never found a sufficiency of wise and safe investments. More is wasted in foolish schemes when taxes are less, and less when taxes are heavier. But if the nation, instead of saving, loves to spend in indulgence, then the Government, by coming down with a new tax, does the spending for them. This no doubt lessens their physical enjoyment, but does not lessen the national capital, nor affect average wages, so long as the taxes come out of superfluity. For the taxes are necessarily spent on wages or on articles recently made through wages; but *are always spent on quite a different class of workers;* less on opera dancers, paintings, jewels, horses and elegant carriages, more on gunsmiths, shipbuilders, carpenters or masons.

Equally erroneous is the vague idea, prevalent in some quarters, that Loans (contracted by our Government) tend to drive gold out of the country. In our Peninsular war immense sums of gold were sent out for the uses of the army and were all the slower in returning, since our commerce with Europe was crippled by our own blockade. No other result could have happened, if the Government had obtained the gold, not by borrowing, but by direct taxation.

Another substitute for the painful pressure of inordinate taxation competes with that of Loans, viz., the issue of Inconvertible Notes as a compulsory Legal Currency. This has great momentary convenience, yet even when the issue is very moderate, and the Credit of the State ever so high, it vexatiously causes the gold coin to be hoarded and disappear. Suppose it our own case. The notes will not be accepted *abroad*, in payment of a foreign balance in trade; therefore with us five gold sovereigns *at once* have more intrinsic value than a five pound Note, and notwithstanding any decree of Parliament; and even *before* a Balance against us sets in, the Gold is preferred, and kept in reserve. Even *without any excessive issue*, the continuance of such a state gradually drains a country of gold. This at length involves injustice between debtor and creditor, *unless Debts are contracted in some foreign currency*— which is the remedy in Turkey, when a contract (as for House Rent) is to last for years. Let the danger of inconvertible currency be rated as high as it may seem to deserve, yet in a severe pinch it is an instrument of too great value to be wholly disused, and it keeps a Government from the ignominy of

depending on great Money-lenders, and from the *monstrous fraud*, too often submitted to, of confessing to Fictitious Receipts; such as accepting *ninety pounds* and registering it as *one hundred*. Then whenever repayment comes, the nation has to pay a full hundred, instead of the just sum ninety.

Also, for their own convenience in re-selling, the Great Lenders, if we are to believe the excuses of Statesmen, dictate and succeed in getting Perpetual Interest instead of Terminable Annuities, which alone are reasonable and just. In every Actuary's computation, the Present Value of £1 *in perpetuum* exceeds by only a very small fraction the value of £1 for a hundred years; but the difference to the nation which has to pay in permanence is enormous. *No fact more clearly evinces the secret domineering power exerted by the Money-Lenders than the submission of Ministers to their demands.* In modern times indeed International money-lenders are an abnormal and dangerous growth. They are a great convenience to needy princes who are struggling to break the barriers of law: but it is hard to discern any moral advantage from them. Imagine that Russia, planning to assist Austria in crushing the time-honoured institutions of Hungary, had armed herself for it by contracting huge loans in Amsterdam and London: would not Holland and England (the very States which were Mediators of the Peace between Hungary and Austria) be in complicity with the Russian injustice? We forbid our people to support lotteries, may they not equally be forbidden to support a foreign Government, which may soon chance to be our Enemy? However, our immediate and ordinary duty is to secure that no traders in money shall dictate to our own financiers and impose on us *either* fraudulent statement of Capital, or perpetual Interest. If Ministers pretend that they cannot obtain loans without such concessions, they virtually avow that they want money for schemes which in the bulk of well-to-do Englishmen evoke no spark of Patriotism. The Americans of the Union are our flesh and blood, and are reputed to be sharp men of business. They have twice paid off their National Debt incurred by their two wars against us, and both in their Federal Union and prevalently in their separate States they forbid perpetual bonds. It is pretended that money cannot be got on Terminable Annuities when our own builders and occupiers easily consent to buy the ownership of houses for a limited term of years, wonderfully conceding the final possession to some great landlord. If our Parliament were as wise as average Yankees, and did not under Party Discipline submit to a chief, all difficulties would vanish.

We not only might have the advantage of occasional loans without their evils but we should gain courage to terminate our dangerous debt. Those only would have reason to grieve, who think that the ambition to dictate a ruler to Spain, to Silesia, to France, even to Afghanistan, is a just ground for inflicting a burden on endless generations, who are sure to have enough burdens of their own.

So grave is the political usurpation, when a Parliament, elected for *seven years only*, presumes to forestal the taxation for a hundred years to come (nay, for ten thousand years, if England last so long), that to disown such dealings in the past as not binding, but essentially null *in law*, seems a just and perhaps a needful preliminary for preventing the repetition of such usurpation. But unless, as a punishment for countless misrule, a frenzied Revolution overwhelm us, we shall take account, not only of the past injustices, but also of what is just and merciful in the present. Our vast National Debt is largely held by Trustees for Charities, for private Widows and Orphans, and has been bought innocently not only in belief of its pre-eminent security, but in pursuance often of the directions of our judges. To proclaim the illegality of the process by which the Debt has been laid on us, may be necessary to stop repetitions, but does not imply blindness to the evil of total Repudiation. How little we need suffer by extinguishing it in generous liquidation is forcibly shown by the vast sum annually spent by this nation in intoxicating drink, of which at least nine-tenths is in all reasonable estimate noxious as well as needless. With a sounder morality we can easily re-establish our Finance in soundness, and take measures against future Financial usurpation.

SECTION III.—LUXURY.

That there is a vast and painful disparity among us, an astonishing contrast of wealth and poverty, of knowledge and ignorance, is undeniable. The phenomenon was always thought scandalous in the States of antiquity, and a mark of incipient decline. One favourite method with early moralists for equalizing enjoyment of external good, was by what are called *Sumptuary Laws*. To forbid wearing gold ornaments, dining off gold plate, paying too much for fish, seemed to an old Roman natural and proper; and the laws continued in theory till late times. The moderns reject all such enactments, chiefly, I believe, because no principle can be found for defining and limiting them. There is

no end of detail. Shall we forbid paying a guinea a bottle for wine, and allow of keeping hot-houses from which grapes are produced that ultimately cost the owner 12s. a pound? or if we allow the grape-houses, how shall we forbid a palace of glass built to contain a tropical forest? The interference with private life which would rise out of such questions would be unendurable; and in fact no laws of this nature have ever outlasted the rigid uniformity of an infantine state. Still, it may be asked: What would happen?—would it be better or worse,—if all rich men voluntarily imposed on themselves sumptuary laws? And it is worth while to analyze this question.

If all rich men refused personal luxuries and lived in austere simplicity, they must do one of three things, I imagine, with their superfluity: 1, they might give it away to the more or less needy; 2, they might bestow it on some public objects; 3, they might try to invest it in profitable businesses.—Now as to the first method, vulgarly called Charity, it is manifest that pure good is done, only when it is so bestowed as not to increase the mass of indigence. If I so give away, as to relieve need, without thereby relaxing the industry or confirming the imprudence of the needy, nothing can be better. But it is often hard to fulfil these conditions; and I believe there is no greater anxiety and vexation to very rich persons than the manifest evil which their liberalities produce. Nothing indeed is commoner than for such to complain bitterly of the ingratitude of the poor. A very generous and rich Irish gentleman told me, that he had observed for many years that the poor were better off in an out of the way mountain-district where they were allowed and forced to shift for themselves, than in his neighbourhood, where he and other gentry were extremely liberal to them. As for himself, neither his heart nor his religion would endure to drive the poor from his door; yet his understanding told him that if all the rich around could agree to do so, the poor would in the long run be the better for it.*—I do not produce this sentiment as an oracle, but as suggesting how evil is any system of Alms which can be *counted on* by the poor. As soon as such an expectation is established, the failure of it is a calamity, but its fulfilment is not felt as a relief. Gifts are then no longer gifts. He who *so* gives as to break down another's independence, is not doing good if he stops short of taking on himself for life the task of maintaining the other. It would be far

* I suspect that in the mountain district they were less molested about rent when they occupied *waste land*.

better for an over-wealthy man to alienate his property in larger masses than to risk corrupting people by injudicious charities.

But, 2, there is never want of moral and intellectual and other public objects, by which a rich man may promote the general welfare; although here also, if he bequeath money instead of bestowing it, intrigue of various kinds may thwart his intentions. But I pass from this to the 3rd head; profitable investment.

A rich man who saves his money and invests it profitably is, undoubtedly, a public benefactor. He both gives immediate advantage to workmen, and by accumulating ensures them still greater future advantage. Hence it will be seen that there is such a thing as a Liberal and Unselfish desire of Accumulating. The old moralists thought it despicable and *stupid* in a miser to try to accumulate more than he could possibly use; but their very censure of him was in a tone of selfishness. If he would have spent on his own enjoyment, they would have censured him less. Surely it is not a selfish nor yet a stupid thing, to sacrifice personal enjoyment and accumulate wealth for the avowed future benefit of *others*. Only when a man has not the heart to give on suitable occasions for present wants, we suspect that he is (after all) in intention keeping it for himself. Even such avarice, as long as it is just, is of little harm and of much benefit to the community; the victim of this vice is himself the chief sufferer. But if *all* men limited their enjoyments very austerely, it would be comparatively hard to find a profitable use for Capital; for no one would buy the things produced, unless they were of the most ordinary kind. All elegance and all fine art would thus be exterminated, and it is difficult to believe that this could be unattended with general mischief to the human mind. Too great severity would certainly not tend to national wealth, and probably not to national culture. The gifts of God were made to be consumed and enjoyed; and nothing is to be refused, *solely* because it is a luxury. Curious and beautiful things must be possessed by some one. We could not wish the breed of splendid race horses to be destroyed, because they are expensive creatures to keep. The balance of passions by which men are actuated in the disposal of property,—love of comfort—admiration of elegance—love of power—love of display—love of friends—and pity for indigence,—seems to tend more steadily to the industry and well-being of the community, than any single principle on which some Moralists would fain reconstruct human society.

There is yet another light in which one part of Luxury may be regarded,—as a fly-wheel or regulator, that contains a reserve of

food against extreme scarcity. It is not desirable for a nation to feed too closely up to its average stores; a margin of waste should be allowed as insurance. In severe pressure for food, every wealthy family is able to make a large diminution in its consumption, and if the general scale of allowance in middling families is abundant, the possible saving is so great as to supply a most important aid in famine. The effect of ordinarily free consumption, with some measure of waste, is, to cause a larger ordinary production. Nobody is really the worse *fed* for this, though a loss is encountered of some other property: but such loss is not to be regretted, if it gives greater security. It is a branch of the same principle, which forbids a nation to live on the cheapest of all foods, as Potatoes; on the ground, that when that crop fails, there is nothing below it to which recourse may be had. I do not mean to say that habitual Waste is *in itself* good: but that, until better modes are devised, a needless abundance in common seasons, though it entail waste, is a far less evil than a diet and an allowance so closely calculated as to leave no power of retrenching in famine. There must needs be large waste even in granaries.

The Luxuries for which there is nothing to be said, as far as I can see, are those which engage immense manual labor and destroy Capital with no result of intellectual progress or cultivation of beauty, no enjoyment to any one. Such is the hand manufacture of Lace, or the searching after Jewels.

SECTION IV.—POOR LAWS.

In any case it is a painful thing to a feeling mind to enjoy the luxuries of elaborate art while those who produce them are notoriously in misery. I can quite conceive of a prince breaking in pieces his choicest ornaments, in the spirit of the Hebrew David, who poured out on the sands the delicious water for which he had longed, because he would not drink what was earned by the risk of his warriors' lives. No wealthy orders can with a happy conscience, any more than with safety, neglect the cry of a half-starved multitude, whatever the cause of the distress. If only to avert the danger of men's despair, some system of Poor Laws will enter into the scheme of every populous and wealthy nation, at least to palliate pauperism, if not to obviate it. It is quite in vain for a Malthusian to denounce Poor Laws on the grounds of Economy; for on grounds of Politics such laws will necessarily be kept up, until something better is found. In

nearly all advanced communities there is also a claim of *justice* on the part of the poor (entirely overlooked, I think, by Malthus), rising out of the laws of Land.

I have already indicated how very artificial are the laws now existing among us. Vast tracts are kept vacant by the will of landlords or parishes or of the Crown officers, which poor men would gladly cultivate, and from which they would get an independent livelihood. How selfish a use can be made of this power, you may possibly judge for yourselves from the following Irish illustration:—

"It is well known that much waste land has been brought under culture for several years past. This has been effected, chiefly by *allowing* cottiers to take in a portion of the mountain side; and when they had tilled it for a few years, and partially reclaimed it, calling on them *either to give it up to the landlord or to pay a rent.* In some cases, they probably retained it; but in others, they gave it up and commenced anew; not unfrequently ending near the top of the mountain, at the bottom of which they commenced many years before. Thus cultivation crept up the mountain sides, or encroached on the secluded valleys heretofore untilled. *This mode of reclamation required no capital on the part of the landlord.* The cottier or tenant was the sole agent. *He obtained a bare subsistence by severe labor, and rarely effected any improvement in his own condition.* It was practicable, on account of the facility with which the potato was cultivated; and it is very doubtful whether it be practicable with any other crop."*

The excellent writer from whom I quote does not venture to hint, nor does it seem to occur to him, that it is an essential iniquity for one man thus to appropriate the labor of another. Here is land kept waste, because no farmer will pay rent for it. It is wild and unreclaimed; but William III., or Cromwell, or some other conquering warrior in ancient times, gave it to a predecessor of the present lord of the manor, and through his legal power it is kept barren. But a poor cottier gladly accepts the toil of cultivating it free from rent; he turns it from a wilderness into a fertile field, without any aid from him whom the power of the sword and the dogma of law have pronounced to be its lord. No sooner is the barren land made fruitful, than the lord steps in, to reap what he did not sow. The laborer, if left to himself in the wilderness, would soon become rich: but this is not to be endured; the landlord takes care that he shall rarely have more than "bare subsistence." And these are Irish peasants, so much scolded for idleness.

* Jonathan Pim: "Condition and Prospects of Ireland," p. 171. 1848.

A passage equally instructive is quoted by J. S. Mill from the Treatise on Flemish Husbandry, in the Farmers' Series of the Society for Diffusion of Useful Knowledge. It is too long here to quote; and I refer to it chiefly as indicating that the low fare of Irishmen is *not* essential to enable cottiers to work such marvels. It is only necessary that the cottier shall not be *warned off* the barren land by the terrors of the law, and that he shall be allowed to reap his own harvest.—On a patch of loose white sand, like that of the sea, a little wild heath and broom is sown, which takes root and binds the sand together: in two or three years, the fibres of the roots and the droppings of the leaves improve the soil; a sprinkling of clover, or even potatoes is tried; sometimes a little manure is brought; a hut and cowshed is erected: the pig might soon be kept, I presume, but the Flemings seem to look chiefly to the cow. When potatoes and clover enough to feed a cow are obtained, the soil rapidly improves by the manure; rye and wheat follow; and, in the course of years, the worst land approximates to the best.

Now it is a fair subject for political decision what parts or proportion of a land shall be kept untilled. We want free air, as well as food. I do not mean to call it an axiom of nature that every destitute man has a right to till, possess, and become lord of any portion of wild land. Undoubtedly such things must be settled by law. But I do say, that if, for the good of society at large, land is kept waste, or is so given over to the power of individuals as to allow of *their* keeping it waste, an imperative duty rests on society to secure that the indigent shall not starve. Street sweepers by the hundred would be glad to become freeholders of three or four acres of desolate common, if the relentless law did not forbid them: the same law, therefore, which drives them from the empty land, must feed them when, through undeserved misfortune, they are destitute. How much more, when much of the most fertile soil in the country is kept vacant, to afford elegant parks for the delight of lords and ladies.

We thus encounter two opposite truths, both of them undeniable, both of them stern and unchangeable, both of them working misery and ruin if despised. The one truth proclaims, that to feed by law hungry men in idleness and comfort is demoralizing to industry; the other, that to let those starve who could feed themselves from the land but for your artificial prohibitions, is unjust and cruel and must engender despair and ferocity. The difficult problem of Poor Laws has to steer its way between these rocks.

Not to be tedious, it may be best rather dictatorially to propound my own belief on this question—Poor Laws are not always the right cure for Pauperism. In widespread famine, as in pestilence and in war at the doors, it needs a high moral enthusiasm in a nation to save it from becoming depraved. Severe affliction may make the good better, but it generally makes the bad worse. Through such times, therefore, every nation scrambles as it best may; and wisdom has very little scope.—But if famine be an *habitual* danger, in a climate and soil not unfertile, and with a people not disposed to ravage the crops, it is manifest that there is some deep political injustice in the fundamental institutions, which will either ruin all orders, or at length precipitate revolution. Such was the state of France in the eighteenth century; such has been that of Ireland in the eighteenth and first half of the nineteenth. Had not the might of England crushed the Irish poor, they would twice and three times have imitated the French: the oppressive claims to the soil would have been swept away, and the present generation of their peasants would be freeholders, rich and happy in comparison. If England, for her own reasons of policy, chooses to put down these agrarian revolts, she is bound in conscience, in honour, and in prudence, to extirpate their causes. In my belief, it was not a *Poor Law* that Ireland needed twelve years ago,—(nay, I fear that the Poor Law has impoverished the landlords without good to the peasants); but it was, *a secure possession of the soil.* Possibly no English statesmen could have carried such a measure: with that I have nothing to do: but this is what the Prussian Government did, and saved their country: this is what, I believe, we should have done, if we had been more enlightened. That a cottier-nation, to whom land is needful to life, should be liable to rent rising with their own exertions, and be ejected at the landlord's pleasure; should also be prohibited from the waste lands, or be forced to pay by their own improvements; is a state of law in my opinion so immoral, that I fear to utter the epithets that rise to my lips. Since the great famine, Ireland has suffered large alterations: large emigration has taken place, much change is still in progress from the sale of Encumbered Estates. These great calamities would never have occurred, if justice had been done to the peasants in 1829, as to the Roman Catholic gentry.

Nevertheless, on both sides of the Channel, the rich need exceedingly to learn some truths obvious to common men,—our Judges also and our Parliaments need to enforce them: such as, —that God made the solid land for something else than to pay

rent; and that the tenant who improves the soil, and not the landlord, has a right to every tittle of the increased value.

Poor Laws cannot be made to relieve more than a small part of a nation. If a large fraction is habitually in misery, then, I have said, some change in the foundation of property is generally needed. But when we have only to provide for a few, Poor Laws must be regulated by the following political axioms:—1, to avoid Centralization; 2, *as far as possible*, to unite local knowledge and local sympathy with the pecuniary relief; 3, to prevent, rather than to relieve, distress; 4, to teach and train, and make labor valuable, so as not to break down the independence of those relieved; 5, to aid the relieved to become independent of relief. —Most justly do the Malthusians denounce public alms as demoralizing, when separated from all sympathy,—given harshly and reluctantly, and only because the law commands it. The Poor Law in England, before the last great reform, was, I believe, ruinous to all the country districts: in the towns, however, as far as I can gather, it was better than the present law. But such is the misery and absurdity of a *centralized* system. It cannot adapt itself equally well to different communities, and what is an improvement to one part is injurious to another.

A most difficult matter embarrassing the administration of a Poor Law, is, what is called *The Law of Settlement*. I do not profess to understand all the practical sides of this question, and will only remark on the principles which must guide it. First, each district must be specially responsible for its own poor; else nothing but waste, apathy, and hopeless confusion will result: hence *some* definition of "one's own" poor is essential. Secondly, there must be some mode of becoming naturalized in a new parish, when a person's labor has been *bona fide* transferred into it; and it is necessary to provide that this shall not be evaded by any arbitrary dismissal of servants or by refusing liberty to build dwelling houses. The proceeding of farmers and landlords is often alike scandalous in these matters: but what is the best cure, I dare not undertake to say. Again, what is to be done with those who have no settlement, and yet are in distress? The case is like that of Irishmen at Liverpool, or foreigners anywhere. I hardly think it is a first point to consider. If Poor Laws, in other respects good, were once in successful action, it would afterwards appear what amount of effort is needed for parishes to deal with poor that are not their own. These questions belong to Politics, not to Economy proper.

It will be a great calamity to England, if the present system of

Poor Laws is allowed to go on, without perceiving that they are a temporary makeshift, and fundamentally defective. See how heaps of wretched beings cluster into our towns, into which all the misery of the country drains! Here they live in masses too great to be known by the richer classes. We are all too busy to look after them, and they are too numerous and too much alike for selection. I will here only add, that a *Home Colonization* appears to me a matter of first importance. The masses of population crushed together in our great towns need to be largely poured out on the country. To effect this from London alone, would be an effort worthy of a whole life; and probably could not succeed but as part of a larger reform, based on principles fraught with manifold results.

LECTURE XII.

The Economical Remedies for Pauperism.

SECTION I.—RETAIL BUYING AND SELLING.

Economical Remedies, without a great aid from Reform in our Institutions, cannot be of any great avail.

It is impossible to enter so absorbing a topic as Moral Reform initiated by the State must be.

But let us suppose that our anarchy were terminated,—that a vigorous administration, pervading every locality, called out the exertions of all our citizens;—that the workers in the lowest rank were well trained, and no part of the community unorganized. It will still remain to ask whether any improvements of a more purely economical kind will fill up what is necessarily wanting in a public system.

It leads the way to a reply, if we consider a particular case. Every stranger in London is apt to be made disagreeably aware of the extortionate tendencies of cabriolet-drivers; nor is it difficult to discern what emboldens them. They do not expect to have to drive the same stranger a second time: out of so many drivers, they do not fear to be again recognized. It may be unpleasant to a gentleman to pay two shillings more than he ought; but still more unpleasant to attend at a police office, in order to gain redress. The reputation of the driver for honesty is made valueless by these circumstances; present gain is therefore chiefly thought of by a majority.—All must see that it is unwise to expose men's honesty to this sort of trial; and we may gather out of this case two maxims: first, that it is a good point in industrial regulations, when an unblemished reputation brings with it a natural pecuniary reward: secondly, that the more our dealings are confined to a small number of persons, the more every dealer expects his gains to be affected by his good or bad fame.

To limit men's dealings by law, is a clumsy attempt to effect a right object; clumsy, because it sacrifices the end for the means. The result of it equally is, that the dealer finds his custom unaffected by his reputation. Do not then suppose, that anything is gained by putting constraint on the course of prudential buying and selling. Our highest aim here may be judged low by a moralist, yet it is such as no statesman can afford to despise,—that of making all feel that "Honesty is the best policy;" and with a view to this, "to deal, as far as we are able, with persons whose honorable character we know."

In contrast to this, a very large part of the shop trade in our great towns consists of sales to unknown customers, whose faces are never likely to be seen again. When this is considered, so far from wondering if there is some trickery and management in the sellers, we may rather wonder at the general honesty. Some well-meaning persons indeed look with peculiar complacency on this trade, because it conduces to a virtue rare in shopkeepers,—political independence. The intimidation practised on them in many cases is no doubt scandalous and pernicious; but moral influence must not be confounded with intimidation. The same state of public opinion which would dictate to us, as far as might be, to deal habitually with the same parties, would also prohibit and stigmatize any attempt to damage them in trade, because of their political or religious opposition to us.

In a city which counts its strangers by tens of thousands, there must of necessity be an immense trade destitute of permanent relations. The moral tone of this will more or less depend on that of the community. The general tendency of such a state of things is bad; and although that tendency may be overcome by excellent national institutions and a prevalent good spirit, it is unwise to trust too much to this counteraction. Although strangers must needs buy of those who are unknown, it seems to be far better that the residents of every place should be less indiscriminate. Not that this implies a yielding ourselves up to the prices and goods of one tradesman. I remember a schoolmaster,—head of a very large establishment,—who always dealt with two butchers, but with two only: in this way each had surely a greater inducement to serve him well, than if he had been served from a vast market where he never bought twice from the same person.

I presume that those who cling closely to special tradesmen are not so likely to get the best articles for their money, as those who are always alert and trust their own inspection more than the good faith or judgment of the seller: but where the article is bought *for consumption* and does not enter into any fabric destined for new sale, some inferiority in it is a very slight evil, not to be counted in comparison to a moral advantage.

SECTION II. — RELATIONS OF MASTERS AND WORKMEN.

For national prosperity it does not suffice that there be abundance: this abundance must also be well distributed. Families must not only not be exposed to want; they must be

raised above the daily *fear* of want: else they become habitually reckless; in fact, this recklessness is then a virtue. The great evil against which Society ought here to make war, is, *the hand-to-mouth system*, which makes man as thoughtless concerning the future as a beast, and in fact prepares the mass of men to ravin like beasts when they miss their food. The security for their sustenance which we desire may be two-fold; first, from every one having a store in reserve; or secondly, from all being so knit together with others, that the destitute are aware on whom they have a natural claim. The former, we suppose, is the better; but it seems, it is a farther stage which can only be attained by means of the latter. If once the poorer form *lasting unions* with the richer, they may hope to be raised above want themselves.

Philanthropy is fashionable at present: so much the better. It is one mark of increased national sensibility. But the cheapest kind of philanthropy is that which vents itself in invective against hard-hearted employers of labor, as though it were *their* fault that laborers are indigent or reckless. Many wealthy manufacturers have themselves sprung from the ranks of workmen: from such masters it would be highly unreasonable to expect enlarged social views; the fact of their own rise generally satisfies them, that the order which they have left is not so depressed by *economic* causes as those who hear of it from a distance imagine. I must indeed avow it as my own strong impression, that the deepest deficiency in the operatives of our great towns is a *moral* one, consisting in an extravagant susceptibility to the opinion of their own order, or an unreasonable suspicion of even the best masters.

I lately heard that a letter-printer known to me, but now deceased, used to employ in his trade the savings of his workmen with mutual advantage. At one time, he had thus in his hands as much as a thousand pounds, the property of one of the workmen.—A master manufacturer at Manchester assured me, that he would gladly employ in his business any sums which his men would entrust him with; but that it was out of the question, although personally he was on excellent terms with them. To invest money in their master's business, would be binding themselves to his interests and separating themselves proportionably from that of their own order! Such a step might even expose them to resentment, and at any rate their party feeling was too alive. They had an indefinable suspicion that the master would be able to take advantage of it. Many of them perhaps did not like the master to know how rich they were. If they could set up a

business among themselves, with their own capital, this would flatter their pride; but to combine with the master was so unpalatable a thought, that they preferred to receive at the Savings' Bank a smaller percentage than he would give them, or else to contribute their money in large measure to be wasted in a Trade Union which promised to be a Benefit Club, but reserved the right of spending the Club money in a Wages War against the Masters. If the Directors of the Union get more as Directors than workmen get, they have an evil interest in discord, and power of compulsion by confiscating the life-earnings of their fellows who refuse to join in a strike.

All the information which I have been able to gather, converges to the same conclusion; that the operatives have a decided repugnance to the only thing which has a reasonable chance of doing them good collectively,—viz., a closer union between themselves and their master. If this be the case, they must wait and suffer, until their mind is changed, or until a new generation rises, with a better mind, or until in a republican system guided by many minds they can compete in energy and judgment with a single capitalist who dares to make ventures and sacrifices.

Prudent masters do, for their own sake, endeavour to keep their men together, and anxiously *make* work for them even in slack times that they may not lose their good hands. In so far, without any definite contract, they act on the principle of keeping up a permanent union, and fully understand its advantage. So too in every branch of business established houses pay respect to their old servants; in fact, some count these as one of the *burdens* which put the old firms at disadvantage in comparison with those that are rising. Yet I cannot think that it is the same thing to inferiors, whether they are united to their superiors by a positive right, such as the moral sense of the community will interpret and enforce, or only during the pleasure of the superior. In the familiar case of marriage we see how monstrous is the fallacy of underrating the importance of legal rights merely because moral feeling supplies the deficiency. We all understand, that it is not enough for a woman *not* to be deserted and neglected by her husband; for her honorable and just position it is essential that he should not be *able* with impunity so to act. Unless she is secured not only from abandonment, but from the fear of it, she is exposed to suspicions and alarms, and is driven in self-defence to study her separate interests. Of course no other union can compete with this in closeness; but the principles which it so clearly brings out are true in every part of human nature. Kind

masters of slaves are apt to flatter themselves that slavery loses its degrading power because *they* are kind; not seeing that if subjection to the will of a fellowman is to be liberal and honorable, his reciprocal duties to his inferiors must be as loudly proclaimed and as stringently enforced as theirs to him. We do not want kind slaveowners, nor kind despots, but loyalty and freedom: so too, we cannot be satisfied with arrangements which keep inferiors unduly in the power of a superior, and render the exercise of a harsh and arbitrary caprice possible. Whether the relation be that of master and servant, or of principal and foreman, or of banker and clerk, whenever their reciprocal services and trial are such that each feels in conscience that he ought not to abandon the other except in consequence of some moral change, there is an evident propriety in some public mode of mutual recognition which would make the indulgence of caprice disreputable.

SECTION III.—LAW OF COMMANDITE.

Just now, many persons are anxious to see the law of Commandite (as the French call it) introduced into England. Mr. Carey and Mr. J. S. Mill have done valuable service in directing public attention to this, and we may perhaps hope ere long to see it adopted. It consists in recognizing "limited responsibility in sleeping partners." At present, if any one becomes a sleeping partner in a mercantile house, he is liable to make good with his whole property the debts of the firm. And our law, as established by Judges, not by Parliament, regards every one as a partner, who agrees to be remunerated in proportion to the success of the concern. Thus if I lend a tradesman £100, and agree to receive £5 a year as interest, I am not a partner; nay, if he fails, I come in as a creditor for my share of his property. But if I lend the £100, on the more liberal understanding that he shall pay me more or less according as he is able, then the law judges me to be answerable for all his debts! This monstrosity is justified, by pleading that it is necessary for the protection of creditors; but in fact, it is worse for creditors, since it hinders people from lending to tradesmen except for fixed interest. It thus converts into a creditor the man who else might have been a sleeping partner, and probably swells the number of bankruptcies by forcing those to accept stock on credit who could have got ready capital on the principle of Commandite. All *managing* partners, in the French law, *are liable with their*

whole property for the debts of the house (a most* essential requirement), and the sleeping partners must of course lose their entire stake before the creditors can lose anything.

In a moral point of view the law of Commandite would be of great value in England. It would enable richer men to aid deserving tradesmen, with no sacrifice to themselves, and poorer men to employ their savings to advantage, in the business of the richer. Altogether, its tendency would be *to cement opposite orders.* At this moment there are master tradesmen in London, who would follow the example begun in Paris, of paying their men's wages in some proportion to their own profits: then every man would have something to gain by his master's success and would work zealously as for himself. But this is now impossible, because the law will instantly count all the men partners,—will hold them responsible for the master's debts, and possibly give them far too great power over his proceedings. Justice, as well as expediency, urgently demands the overthrow of this arbitrary† rule, and the recognition of the principle of Commandite. If the operatives in our manufactories could be induced to invest their money in their master's buisness, this would be by far the best form of investment; for it would give them a direct interest in the success of the concern, and a sympathy with its losses. But if they are to remain in their present suspicious state of mind, or such slaves to their fellows that they dare not unite with a master, the law of Commandite will be a dead letter to them when adopted.

For workmen and capitalist to have one interest, would of course terminate the vexatious *strikes*, which have been often entered into by workmen simply because they are commanded by their club. A sufficient reason for them sometimes is, that they know the master to have contracted to deliver goods on a certain day: this makes them believe that he will be forced to submit, if they seize the opportunity of striking for higher wages. Such injurious proceedings ought to excite the masters to inquire, whether there is not some way of inducing the best men to enter into engagements for a longer series of time;—which might be called *Labor-leases.* The arrangement would be highly desirable

* [1890].—Totally omitted in the more recent laws.

† The lawyers settle everything here, by the maxim, that "whoever profits by the success of a trade, must suffer by its failure;" *therefore*, if I lend £100 with the chance of getting from nothing up to ten or twelve pounds, I must be liable to forfeit £10,000, if I have so much! Surely, if a tradesman is prosperous enough to promise me *positively* 12 per cent. for my money, I "profit by his success" as truly as if his promise be *contingent.*

for the men, if it be true that they have at present anything to complain of. I hear of two objections to it from the masters; first, that the workmen who are really good and to be depended on (with whom alone the masters would choose to make such a contract), can at present always command employment, and feel themselves so firm and so independent, that they could not be induced to tie themselves to a master: secondly, that there are no tribunals to settle speedily and satisfactorily petty quarrels which would arise out of the interpretation of contracts.—If the former objection is solid, the workmen less and less deserve or need patronage; for they are strong enough to aid themselves. The latter objection is a disgrace to our institutions.

It is impossible to wonder that enlightened masters who have aimed to benefit their workmen, are discouraged and even disgusted when they find the men to own a closer allegiance to an irresponsible oligarchy which domineers in the club, than to the superior who desires to join their interests with his own. Such masters retire from the effort as vain, saying that the men *desire to be free to make war upon them*, as essential to *their* notion of independence. The club probably will always do its utmost to hinder a union which would destroy the importance, perhaps also the gains, of its factious leaders; so, it seems, nothing can be done but to wait.

SECTION IV.—SAVINGS' BANKS.

At present nothing so keeps down our lowest laborers as the want of investments for their savings. To employ these, the well-meant institution of Savings' Banks has been devised; which in particular cases may do some good, but must necessarily prove less efficient in proportion as the scale of operation enlarges. My inquiry is not whether individuals should use it, in the defect of anything better: perhaps they ought; but my inquiry is, whether the Government should establish and support the system. The first question is; Whence is the means of paying interest to be got, except by taxing the people? The answer which will be given, is, that "the money paid into the Savings' Banks may be invested in purchasing shares in the National Debt; consequently, if that Debt be estimated at 750 millions, no difficulty is encountered as long as the total accumulated in the Savings' Banks is less than this sum. The Government does but pay to the depositors the yearly interest which otherwise some other parties would have received."

It is true that deposits of the Banks are paid over to the Commissioners for reducing the Debt: and as long as the sum is under 100 millions, the public will perhaps remain blind to the fact, that this is a powerful *agent for artificially buoying up the value* of the government securities, and riveting the noxious system more firmly than ever on the nation. If, without Savings' Banks, the natural price of Consols were at 90 (which means, that £90 is to be paid for a nominal £100 of "stock" which entitles the holder to £3 a year), the bringing in of Savings' Banks with a capital of 30 millions which *must* be invested in Consols, will of course force up their price. But since Parliament has agreed to allow to these Banks £3 16s. per cent. yearly, the State sustains a loss if the Commissioners for reducing the Debt invest the money of the Banks in Consols and pay more than 79: for if £79 receives £3 as interest, this is very nearly at the rate of £3 16s. for £100. Possibly other "stock" is bought a little cheaper than Consols. I do not sufficiently understand some of the technical statements made on the subject, to venture to say more in detail. But in a State which is already so hopelessly in Debt that it will make no vigorous effort for relief, to plunge itself into a voluntary guarantee of £3 16s. per cent. for *whatever sums* the industrious classes may choose to entrust it with,—seems like an infatuation. What else is it, but to volunteer to become borrower of *any* number of additional millions, with the farther embarrassment of being liable to pay to the depositors any sums at call? If a panic arose, which caused a run on these banks, the Government must of necessity refuse payment.

From forty to sixty years ago a system was in operation, which was called the "Sinking Fund," intended to lessen the National Debt. This was at last destroyed by Parliament, on finding that it had simply caused a new loss of eleven millions sterling. I cannot but feel a misgiving as to the modern "Commissioners for reducing the National Debt," to whom the money of the Savings' Banks is entrusted. Of course they do as they are bid; that is not the point: but possibly when this matter some years hence is closely looked into, it may appear, that the Savings' Banks have cost the nation a second eleven millions.

The whole idea is preposterous and ruinous, of *the State finding investments for individuals.* It is an idea which never could have been conceived, except where the vastness of Centralization and the entanglement of an artificial system of revenue darkens men's view of natural tendencies. People seem to forget that the annual taxes must be paid out of annual skill and industry, and that

Parliament has no fertile farm where sovereigns will grow into guineas of themselves. If a law of Commandite were passed, I cannot but think it would be a most wholesome thing to enact, that within five years' time the whole money of the Savings' Banks be repaid to the depositors, and the system totally destroyed.

If our operatives were once accustomed to invest their savings in their master's trade,—nay, or even in other trades by the side of it,—there is no reason why every one who was moral and prudent and enjoyed good health should not by the age of thirty be a little capitalist. And all wellbeing tends to its own increase: better education, better habits, more knowledge, sounder sense, would all grow together. Moreover, when the workmen began to receive sensible gains from capital, they would rapidly leave off their grudge against capitalists, and the feud of the orders would come to an end. The clubs might survive, but be directed to far better ends, especially if they elected rich men for their honorary treasurers, and admitted all persons of the same locality, without reference to trade or station. But in all these matters they must fight their own battle, and win their own happiness. They repudiate advice as dictation; other orders therefore must be satisfied with securing that there be nothing in the public enactments to perpetuate the wilfulness and misery of this class.

SECTION V.—AGRICULTURIST RELATIONS.

But I turn to the agricultural population, whose case is far more difficult, because they depend on the farmers, and the farmers have been persecuted by a series of vicious enactments, the ill effects of which are almost at their maximum. The Game Laws and the Law of Distraint, the system of Tenants at Will, unwise and unequitable Covenants in leases, Tithes (now commuted), Corn Laws often changed and every time to the farmer's mischief, weigh heavily even on skilful tenants. It is difficult to hope for a permanent improvement in the state of the laborers, until that of the farmers is more established.

But the very same economic evils meet us in the country, as in the towns, viz., the uncertainty of men's position. In many counties the farmers are tenants at will, in very few have they leases of sufficient length. So too the laborers are hired by the week, and *in no case have any interest in the crop*. *Seventy* years ago (I believe)? most of the unmarried farm-servants lodged in the farmer's house and ate at his table, and they were hired, I

believe, by the half-year. The master and servant often worked together, and young men not finding themselves homeless, had less excuse for precipitate premature marriage. A far stronger chasm has been introduced between the farmer and the laborer, than existed when farms were smaller, and in the absence of small farms and small freeholds it becomes practically impossible for a laborer ever to rise into a higher position or even to secure himself in his own.

The Economic remedies applicable to such a state seem to resolve themselves into two classes; those which enable the laborer to become a little freeholder, and those which give him associated rights, only to be forfeited by misconduct. I must speak of the two separately.

a.—FREEHOLDS.

When we see a people of cottiers and very small farmers, like the Irish, struggling on in alternate idleness and hard work,—notoriously industrious whenever they are likely to reap the reward themselves,—I cannot understand how any one can doubt that it would be a great elevation to these men to be converted into freeholders. It is absurd to dilate on the inconveniences of very small freeholds: the evils of them all exist already in the most exaggerated form, without any way of escape, except death or emigration. For such a people there is but one natural step upward,—to become freeholders. The most direct mode of effecting this, if the case be urgent, is a clear public right; viz., to enact, as was done in Prussia and in Hungary, that the actual holders shall retain their places, subject only to a moderate quit rent. As to old arrears, *which are generally caused by the rents being too high*, it would be cheaper to pay them once for all out of the imperial treasury, than be at the expense of keeping up armies in Ireland.—But if the case is less urgent, and such a measure is thought extreme, the next in stringency (and one which at any rate ought in my judgment to be enforced in that country) is, to command every land-holder to sell to every cottier on the estate who desires it, land, not more than (to begin with?) two acres; the price being set and a reasonable site adjudged by a free jury. The testimony of the neighbours should suffice to prove it to be freehold, and no lawyer's writ should be allowed to intrude.

Of course such an enactment would bring no immediate relief to the poorest. But many who now hide their money would then suddenly be found able to buy, and the nation would gain a large

addition to its independent classes. A little yeomanry would in a few years be formed; and these would have more sympathy with the poor around than the landlords can have. The notorious right of purchase, and the example of the yeomen would stimulate the poorest to exertion, in hope of emulating them. From such a measure I could hope the gradual tranquillizing of Ireland, and a consequent flowing in of English capital. To make one step onward would be something for such a country, and it is not requisite to prove that a system of small freeholds is of all the very best.

In any case, for England as well as Ireland, it is an obvious duty to the poor to remove all the artificial impediments to the sale of land. These consist principally in the expense of legal deeds or instruments of conveyance, and uncertainties of title. As it is in great measure lawyers who have tied the knot, so lawyers must aid us in untying it. The Stamp Tax indeed may be modified; but I believe the great thing needed is to return to a less artificial system of law: to allow titles to rest safely on notorious possession for sixty years, and accept the testimony of neighbours as sufficient evidence of sale, exploding everything technical and unintelligible to men of ordinary good sense.—We do not assert that to have many small freeholds is desirable for a nation. My own belief is, that it would be very evil to have a multitude of them together, unmixed with other elements. But we ought to let them have fair play, and not extirpate them by heavy fines. Let it be further observed, that by "*small* freeholds" something different would be meant in England and in Ireland. The Cumberland farmer who cultivated his own farm, had perhaps from 50 to 150 acres. This would have a very different economic result from a freehold of 2 or 3 acres. On a Cumberland farm cattle can be kept and the soil improved as in Belgium; nor has any one a right to say that the cultivation would not be as perfect in the largest farms. If it will be in some sense less economic, that is a thing to be judged of by trial. The market itself must decide, not the governing power.

Some have asked,—*Why* have the Cumberland "statesmen" to so great an extent died out? and indeed it would be well to ascertain why all over England the yeomanry have been so exterminated. There are those, with whom the small number of the freeholders of England is a favourite topic for attacking the aristocracy and the whole social system: yet surely whatever the sins of the aristocracy and of the law, it cannot be said that there is any want of protection to freeholders, or that they have in the

last 150 years been troubled by exceptive taxation. The indirect taxation may have made freeholders less able to purchase foreign luxuries, but it has surely had no tendency to oust them from their property. They can only have been ejected by their own will or by their own vices. Many I have heard, kept up the old-fashioned drunkenness, in common with other habits of a past century, longer than the rest of the community; and this has sensibly aided in their ruin. Others have been attracted by the more splendid gains of trade, to desire to sell their land. A farmer has only a steady business, and is apt to envy the rapidly growing riches of a trader, without being able to value his occasional great losses. The same development of trade so enriched many individuals, as to excite a great coveting after land; and so many a large price has been offered to the little freeholders, that these have not been able to resist the bait. They have converted their land into moneyed capital, and gone to swell the ranks of traders.—At any rate, they have not been plundered; and if there has been a fault, it is their own. This past history however implies, that until there is a great change of *public sentiment*, the class of yeomen is not likely to be restored in England. Nothing would more aid towards it, than a reinvigorating of the Shire-motes and Hundred-motes, which would make the yeomanry feel themselves to be citizens with public responsibility.

b.—METAYER CULTURE.

But I must now briefly notice the other topic;—that of imparting to the peasants *associated* rights. There are some rights, which in every case they ought to have, as members of a village; but from my narrow limits I pass by these, as half-political. Assuming however that the most economic cultivation is found to be that of a farm large enough to need peasant labor, or at any rate, that this is a system which has taken hold, and cannot be exterminated, the question is, how will it attain its best state? For this end, the laborer surely ought to have an interest in making the crop as good as possible, and ought not to fear dismissal from any other cause than his own bad conduct. The métayer system of Italy at once suggests itself; but it will be at disadvantage here, because our farmer is liable to heavy and increasing rent. If his rent were converted into a fixed and very small quit rent, such as is the government tax on

the Continent, then there would be much more* to be divided between him and the laborers: but while the landlord can extract out of the farmer all that competition will yield, *the effect is, to reduce all our soils to the level of the worst*, and decree that the whole agricultural population shall be no better off on good soil than on the most barren which is cultivated. This unnatural and unjust state of things exceedingly increases the difficulty of our problem.

Lord Wallscourt in Ireland has introduced on his estates a system fundamentally identical with that of the métayer, which he represents as highly successful, although it does not appear whether he advances capital; which might seem essential to its success. He wrote in 1846: "I have tried my plan for 17 years and have found it to answer much beyond my hopes; inasmuch as it completely identifies the workmen with the success of the farm, besides giving me full liberty to travel on the Continent for a year at a time; and on my return I have always found that the farm had prospered." Lord Wallscourt's practice is, to reckon a laborer to have invested £100 in his farm for every £5 a year which he receives as wages. This tariff could only be endurable where wages are, as in Ireland, exceedingly low; there is no intrinsic propriety in the 5 per cent. The important *principle* is, that *the laborer's remuneration is not wholly in money, but partly depends on the sale of the crop; and* this involves that *he is engaged by the year*. Lord Wallscourt's language clearly implies that there is no farmer between him and the peasants; if so, his position is closely similar to that of the métayer landlord; and if he has not advanced capital, he has applied the scheme to disadvantage, as far as the cultivators are concerned. Indeed, no reason is apparent, why it should not be successful to an English farmer, who of course would then advance less capital than now. Take especially the case of one who is not rich; who cannot afford the heavy drain of wages for repeated hoeings and other important applications of labor. If he were to engage with his men for small ordinary wages, but gave to divide among them (I will say) one-twentieth of the produce, they would make their children help, zealously employ their own odd minutes to use the hoe,

* No one can read such addresses as those of the Essex Farmers, without seeing, that, whatever Economists may say, English farm rent is *not* always paid out of "surplus." The farmers look on rent as something necessary, and when hard pressed, *talk first of lowering wages*. Rents are now twice or three times what they were a century ago, for which increase the landlords have generally given nothing.

or to put in manure, or whatever else would increase the yield; or again, to tend the cattle and otherwise cherish the farm. Such voluntary exertions would in most circumstances add more than one-twentieth to the value in selling. At the present moment our farmers are sorely pressed in paying money-wages: even those who are rich are shrinking at the risk. Now therefore, peculiarly, might seem to be the time for attempting such a compromise, which the peasants would probably accept, lest they be forced to submit to lower wages without the accompanying boon. If any farmer attempted it, even without a law of Commandite, it is hard to believe that inconveniences from this source would be allowed to vex him or the peasants.

I have said nearly all that I see available to our difficulties. Public opinion is slow and inflexible, peculiarly among agriculturists; nor have I any expectations of speedy improvement. Indeed, no part of the English people has much power of imagination, or is able to learn new truth, *except in connection with public events* and measures. The public are now converted to the doctrine of free importation of food. It had long and long before been argumentatively demonstrated; yet they would have remained unconvinced for another century, had not hostile tariffs persecuted our manufacturers and the potato-rot terrified our statesmen. Perhaps until the easy classes are alarmed, they will not look deeply into our social state. They will be satisfied to see in the streets young girls trying to sell single nosegays or lucifer-boxes or pincushions,—nay, acting as street-sweepers; and to hear that thousands of men rise every morning in London, not knowing whence they are to be fed till night. Until some dreadful explosion takes place, such as Paris has more than once of late exhibited, few of us understand the phrase now familiar to French statistics,—*the dangerous classes*. Rick burning in England, as street burning in Constantinople, is the only language by which our peasants tell their dissatisfaction:—for there is no folkmote to listen to them.

Yet when haters of a Market would supersede private property by a system of Socialism,—it is not useless to point out other courses by which an amelioration of our state may be hoped: for if we *only* acknowledge and lament evil, and from caution or from a desire "not to commit oneself" we refrain from pointing to remedies, those who are bold and confident in their promises hurry off sensitive minds into their cause however unsound. To snarl at competition is to snarl at Markets.

Finally, I beg you to understand that I regard a Parliamentary

panacea for Pauperism as absurd as a royal road to learning. To our Parliament one has nearly to say, what Demosthenes said to the Athenians: "Make no more laws, for you have too many; but rescind many of those which exist." The greatest and best Acts done in our day, are mere repeals of unreasonable or unrighteous Statutes. Such repeals are still urgently needed, to restore to Englishmen the rights which they once had: after this, each county and each town, each class of industrial organization, must fight with and conquer its own special difficulties. Indeed concerning the specialities of any trade, I should feel it absurd to speak confidently. All that I venture to assert consists *in great moral principles*,— such as: that those who are associated in labor ought to have moral union and joint interest, as permanent as possible, and that they should be able to exact their own remedies within their own sphere, instead of waiting on a distant, slow, unversatile centralization. Whether anything which I have thrown out in detail, will anywhere prove feasible, agriculturists and manufacturers must themselves find out: but if they persist in crying to Parliament to increase their gains, they will (as always hitherto) reap disappointment and loss, and if their prayers are heard, may sow the seeds of infinite evils.

FEUDALITY *versus* OWNERSHIP.

[Reprinted from "Frazer's Magazine," March, 1864.]

The rulers of England—Queen and Landed Aristocracy—inherit a position nearly the most brilliant in human history. Spain for two generations was on a like eminence: Russia and the United States alone compete with us. China being in decadence and in apparent dissolution, there now exist only three Powers of the greatest scale, if we look at the surface of the earth which they cover, and the prospect of their future. All three are necessarily exposed to envy and severe criticism. Hitherto, in the comparison of the three, England has stood fairest in the eye of foreign censors; for the serfdom of Russia and the slavery sustained within the American Union have served as a foil, reflecting brilliancy upon our imperial policy, which however ambitious of territory and of subjects, has been impartially humane in its theory and strivings; nay, in regard to freedom of the press and of social life, has been the most liberal of known despotisms, both in India and in the Crown colonies. The freedom of the Englishman on his own soil has been an axiom over Europe, and, since the great Reform Act of 1832, has been supposed victorious over aristocracy, as, long before, over a tyrannical dynasty. Thus whatever nation aspired to well-ordered freedom, whether Spain and Sicily, Hungary, Greece, Naples, or Piedmont, looked up to England with admiration and with hope. We have been judged somewhat more severely since the concourse of foreigners, and especially of exiles, to our shores has made them more intimately acquainted with our state; and we are about to be judged far more severely still, after American slavery has disappeared, and Russian serfdom been absorbed into a system of petty freeholders.

With a nation, as with a child, liberty has its grave moral dangers. If liberty be understood to mean that wisdom shall abdicate government, the character will soon degenerate into vice, and the gravest evils must follow. There are two possible courses towards virtue for an individual: either to plunge into evil and drink its bitterness, then through the miseries of repent-

ance sadly struggle up towards a solid goodness; or, being warned, and becoming wise in due time, to shun evil before it can be dominant, and pass without convulsion into the higher state. The same is clearly true of a nation. But the latter and happier course implies wise instructors for the child, wise institutions for the nation; and the wisdom of institutions must in part be measured by their powers of shielding each order from its own vices, as well as from oppression by another order. If we apply this test, it is to be feared that large deductions must be made from the panegyrics which we are accustomed to bestow on our national institutions.

An American newspaper editor, wishing to illustrate the unfairness of one-sided representations, lately drew two pictures of England, favourable and unfavourable, declaring that each separately was true, though either presented singly was unfair. Such a critic is not splenetic and sour-minded. And what were the chief features of the unfavourable portrait? Foremost he places—that in England the rate of wages for agricultural labor is so small as to deprive the peasantry of all but the coarsest food and clothing, and of any reasonable hope of rising in the social scale; that the manufacturing and mining population is to a great extent uneducated, intemperate, irreligious, and immoral, and often reduced to severe suffering by strikes for increased wages; that Scotland, formerly eminent for piety and education, now consumes more spirits per head of its population than any other part of the kingdom; that in Ireland famine, disease, and emigration have swept off two millions of persons, one-fourth of the whole, within the period of half a generation; that so numerous and dangerous are the criminal classes, as to cause periodical panics in London concerning safety in the streets, &c. If we cannot deny such things to be true, we cannot by any speciousness of reasoning avert the inevitable conclusion, that something is wrong in our institutions. It may possibly be nothing fundamental, only (what is called) "a screw loose;" but a screw loose in a steam-engine may work a great hole in the ship's side: the more vehement the action of the machine, the greater is the peril.

On one topic we must offer to our countrymen grave and sad congratulation—that we are beginning to open our eyes steadily and gaze at our own defects. A part of us is distinctly aware of the mischief to our national morality from the Church ceasing to be national; and that it ought to be enlarged, and made to embrace the nation. Another part discerns and proclaims the evil

(foreseen and denounced by the bishops in the reign of George II.) which the multiplication of "tippling houses" has caused. Lastly, we are slowly, yet steadily, awakening to a perception that the condition of our peasants is a disgrace and reproach to our land and polity. We do not approach the last topic in any spirit of hostility to aristocratic rule; but evil is evil. If it be neglected by those who have chief power to remove it, their neglect will undermine their social position, and may prepare the gravest dangers; much more, if they and their organs treat as their enemies the men who desire to elevate the peasant. To pretend that the evils complained of are inevitable and eternal is futile and mischievous: it is an idle and selfish excuse, and can do nothing but exasperate. If the state of things in England were normal to the whole world, the opinion that it is inevitable, and is providentially ordained, would be specious, however painful; but the very opposite is notoriously the fact. England is in this very matter peculiar and exceptional. We know not whither beside in all history to look for a nation of peasants living by wages, and divorced from all rights in the crops which they raise; in fact, the principal phenomena in the existing arrangements belong to modern England only.

Adam Smith did not foresee the doctrines which his immediate followers would preach on these subjects. To Malthus, indirectly yet logically, the change of mind for the worse which presently followed appears to be due. His memorable treatise gave rise to a panic fear concerning the dangers of a "redundant" population, of which Ireland was adduced as a glaring instance; no one seeming to suspect that the cure of poverty was to be better found in an improvement of laws than in a lessening of numbers. Since Ireland abounded with cottiers—petty cultivators, who were tenants at will—an aversion to all small holdings arose; and one economist after another, not satisfied with preferring large tenant-farms to small, ignored the difference of peasant proprietors from cottiers. If they did not assume it as a law of nature that the cultivators of the soil must live on wages, it was certainly regarded as the natural and best state. The Indian or Egyptian peasant, ruined by government exactions, was on one side a *terriculum:* on the other, the French or German petty freeholder, living on black bread. While the United States adopted as a fixed policy to sell the public land in small portions, and to favour independent cultivators, the land in the British colonies was granted in large tracts to favourites of the crown; and, when this was no longer endured, was still dealt

out but sparingly to the public. In fact, when in Australia a chance seemed to arise for peasant freeholders, a new philosophic principle was broached by Mr. Gibbon Wakefield, which expressly aimed to prevent so dreadful a result of abundant soil, and force emigrants to work as hirelings, by artificially raising the price of land up to the limit which should effect this object. Such have been the tendencies of our economists. The wisdom of "clearing" estates in the United Kingdom was in these writers tacitly inculcated; and all increase of population in an old country was treated as an alarming fact. Mr. J. S. Mill would, we suppose, call himself emphatically a Malthusian; but, writing after Mr. Laing's book on Norway, and judging for himself concerning France, he opened his eyes wide to the prodigious difference between peasant freeholders and tenants at will, both in other respects and in matrimonial prudence. Hence, without sacrificing his Malthusianism, he headed among economists a notable reaction in favour of peasant proprietors. The first edition of his great work appeared in 1848; and the able book of his friend, Mr. W. T Thornton *(A Plea for Peasant Proprietors)*, bears the same date. A sixteenth year is passing, and nothing has yet been done to relieve the evils at which they pointed. On the contrary, the accumulation of land in fewer and fewer hands is ever on the increase; which apparently puts us farther than ever from that state which Italian, French and German economists, peers and statesmen, proclaim to be alone wholesome for peasants and for rulers. But the doctrine can no longer be treated as heretical or eccentric in England. The Professor of Political Economy at Oxford, Mr. J. E. Thorold Rogers, in three able letters to the *Morning Star*, has recently avowed with emphasis his adhesion to the views of Messrs. Cobden and Bright in agrarian matters; and the most recent author of an Economic Manual, Mr. Henry Fawcett, recently elected Professor of Political Economy at Cambridge, is on the same side. We do not see how any one can deny the substantial truth of the painful picture which Mr. Fawcett draws of our agricultural laborers, p. 11:—

> Such wages will not permit the slightest provision to be made either for the sickness or the feebleness of old age. Throughout a large agricultural district, with which we are intimately acquainted, we know that the great majority of the agricultural laborers have not saved a single penny. To them a life of toiling and incessant industry can offer no other prospect but to drag out a miserable old age; for then they will either be paupers in the workhouse [poorhouse], or they must come, as suppliant mendicants, for parish relief.
>
> But even the physical suffering which is associated with their poverty is

not the worst feature of their condition: their ignorance is as complete as it is distressing. Improved schools, enormous educational grants, and a general zeal for instructing the poor, have failed to educate the agricultural laborers. The reason of the failure is obvious, and it is difficult to suggest a remedy. When children leave school at eight or nine years of age, to become plough-boys, the little that has been learnt is sure to be forgotten.....How can we expect parents who are so miserably poor, and who are ignorant themselves, and know not the value of knowledge, to sacrifice the two shillings a-week that a child of eight or nine years of age may readily earn? Other countries, no doubt, possess laborers who are equally poor and equally ignorant; but the poverty and the ignorance is heightened, when contrasted with the accumulated wealth and the vaunted civilization with which it is surrounded. We make these remarks in order to show, that even if the system of landed tenure in this country is productive of wealth, yet that the distribution of this wealth is so unsatisfactory, that those whose labor is instrumental in producing it are miserably poor, and their life in every respect most unenviable. They have, in fact, to work with the regularity of machines, without hope that their condition will be improved.

At the same time Mr. Fawcett agrees with Mr. Mill and Mr. Thornton, that peasant proprietors bring out of land a larger produce for the market, after feeding their families, than is yielded by the large tenant farms. This judgment is confirmed by the highest continental authorities in very different climates, as well as by unbiassed English observers. Mr. Laing first called attention to the excellent working of the system in Norway. Mr. M'Culloch himself is obliged to admit the wonderful results of peasant freeholds in Flanders. Mr. Kay attests not only the "perfect and economical farming" of peasants in Prussia, Saxony, Holland, and Switzerland, but, by aid of statistics furnished by Mr. Reichensperger, maintains that the net produce is greater than where land is held in masses by large proprietors. The same thing is recently attested by Mr. Tupper, in Guernsey, concerning which island Mr. Thornton gives very instructive details. No exact comparison with England at large is possible, because our "agricultural interest" have sedulously resisted public registration; a resistance which gives unpleasant force to the less charitable explanation of landlords' motives. But the Guernsey men are confident as to the superiority of their system, not only in the far higher condition of the peasantry, who are described as living in peasant dwellings, made pretty by the unsparing care of hereditary possessors, but also in the larger supplies furnished to the market. Mr. Thornton quotes from Mr. Brock, a late bailiff of Guernsey, who says "There are larger estates in England than the whole of this island; but where will one be found which produces the quantity of provisions sent to market by our small farms?" Mr. Thornton adds the remark, that the

large produce of the Channel Islands is not ascribable to their natural superiority of soil or climate; for the soil is naturally rather poor, and the climate is not better than in the southern counties of England.

In France, a great authority is M. Passy, a peer of France, and once Minister of Finance, who has written an elaborate work on Systems of Culture. We understand that he is himself a considerable proprietor, as well as a distinguished political economist. He treats as "scarcely deserving notice" the idea that large properties conduce better than small to the welfare of the cultivators, and sums up his results in the following words:—*

1st. That in the present state of agricultural knowledge and practice, it is the small farms (*la petite culture*) which, after deducting the cost of production, yield from a given surface and equal conditions the greatest net produce.

And 2ndly. That the same system, by maintaining a larger rural population, not only thereby adds to the strength of the State, but affords a better market for the manufacturing districts.

The state of French agriculture and the condition of the French peasant are preferred to English agriculture and the English peasant, not only by aristocratic and noble Frenchmen, but by Henry Coleman, Professor of Agriculture in Massachusetts: and the asserted mischief of the division of land in France is emphatically denied by De Tocqueville, by the Duc de Broglie, and by M. de Lavergne, author of an elaborate work on the Rural Economy of France since 1849. Nevertheless, the last acknowledges that (owing to our more advanced mechanism, not to the magnitude of our farms) our crops on an average are heavier than theirs. Hence, unless he is at variance with M. Passy, we must understand the French writers to compare their "small culture" with the large farms of *France*, not with the large farms of *England*. In applying their statements to England, some deduction might be needed, if it were impossible for small freeholds to borrow the aid of certain machines. But the testimony of the Guernsey authorities is not liable even to this objection.

Mr. Thornton's own statements concerning the comparative yield in the two systems of culture are very definite and startling. He says that the soil both of Flanders and of the Channel Islands is for the most part of light sand, ill-suited to wheat; yet in Jersey an average crop is 36 to 40 bushels per acre;

* We quote the words from an able and elaborate letter, signed R. S. T., in the *Morning Star* of January 25th last.

in Guernsey, 32 is a common crop; in Flanders, at least 30; while in 1837 the average in the large farms of England was only 21 bushels, and the highest average for any one county was 26. He adds:

> At the last meeting of the Guernsey Agricultural Society, the *largest* yield of white wheat was reported to have been not less than nine imperial quarters per acre (72 bushels!); and that of red wheat seven quarters and a half These crops would be thought so prodigious in England, that I at first suspected the account to be exaggerated Its accuracy, however, is attested by a gentleman who is not likely to be mistaken, M. le Bier, the able secretary of the Guernsey Agricultural Society. His letter on the subject will be found in the Appendix.

Barley is better suited to the sandy soil. In some parts of Belgium the yield is 80 bushels per acre, and the average is 45; in England the average is only 33 bushels. Of potatoes the average produce in England is certainly not more than 300 bushels or 22,200 lbs.; in Belgium it is ten tons or 22,400 lbs.; and in Jersey 35,000 lbs. Clover in Flanders yields (says M'Culloch) "prodigious crops" from six pounds of seed per acre. Not to rest exclusively on these testimonies, Mr. Thornton goes on to urge, with the greatest justice (what to us indeed seems unanswerable), the high profit made in England from "allotments," as they are technically called, or small pieces of land to be cultivated as gardens in extra hours. It is notorious that the rent which laborers will often pay for half an acre or a quarter of an acre is beyond all the proportion of farmers' rents, and this because the produce from spade husbandry and minute care is so large. Such cultivation goes on under great disadvantages, as compared to freeholds of six or ten acres, unless it be manured from sources scarcely as yet utilized in England. The exceeding productiveness of garden-culture is so proverbial, that it would require very cogent argument to overcome the extreme unplausibility of the doctrine that a farm of six acres is likely to produce less than one-hundredth part of the produce of a farm of six hundred acres, if the two were tended with only equal diligence. But if the smaller farm be freehold, and aided by the gratuitous weedings, waterings, and other small cares of the children and wife, the diligence employed upon it is sure far to exceed anything that a farmer's wages can buy.

We are aware that one or another farmer writes to the newspapers (generally without a name) to declare that ten shillings a week is too low an average for agricultural wages. To make an assertion concerning *averages* is difficult, when all public statistics are forbidden; but the writer of these lines has known of wages

often at eight shillings, and in one year (1834), in North Devon, at *six shillings*, which is probably quite a minimum. In fact, we do wrong to dwell on the rate of wages as though it were the vital point: the essential evil is that the laborer should be permanently and for life dependent on wages only. That a young man should begin by laboring for wages is no hardship; that he should have no adequate motive for saving, no chance of becoming owner of visible and fruitful property, of having a little house and so much as a garden really his own—this is the grave evil. In the neighbourhood of manufacturing towns the rural wages are higher; so are they where high farming is practised, and numerous hands employed. (By "high" wages, we believe, is understood something like fourteen shillings a week.) Yet it has been many times asserted, and we fear it is true, that the only result of such wages is, either that the peasant feeds a little better, or that he indulges in more drink; but he in all cases spends every week his week's earnings, and continues on the brink of indigence, with no refuge in sickness, old age, or public calamity but the Poor House. Even if this be not quite strictly true, we cannot doubt that we here touch upon the spring of deadly evil; that the spirit of independence has been sapped and destroyed; that the workman despairs of securing for himself an independent future by any possible self-denial; hence he has no motive for self-denial at all. He lives for the day, by the day. Not being able to provide for himself, neither does he take any responsibility for parent or child. He dreams not of being supported in old age by his son, and casts on the parish the support of his father; and of course (if this be the most dreadful thing which a man can do) he marries as soon as he is inclined, or as soon as he can get mere housing for self and wife.

Experience proves that equally among the artizans of the towns the great desideratum has been to give them an adequate motive for saving. They have had long periods of high wages and cheap food, while clothes have year by year got cheaper. They had plentiful ability to save, but most imperfectly used it. To this day they spend yearly many millions sterling in useless and hurtful drink. Savings'-banks began, clubs and trades unions aided, to teach workmen to save: building societies in a few places; last and best, co-operation societies, are carrying forward the lesson. Men will not practise immediate self-denial for a distant, small, and uncertain advantage. The utmost that one of our rustics can hope to gain by economy is, that in his painful years of rheumatism he shall receive no parish pay; nor

will he be perceptibly then the worse, if a fraudulent officer run off with the store of the savings'-bank, and the Government, with much regret, decline to be responsible. Men like to see what their savings have bought: when it is in solid existence before them it becomes a daily pleasure, a daily reward to their eyes. In Birmingham the building societies have undesirably raised the price of land against themselves; and many a man has given a hundred pounds for what ought to have cost seventy at most: nevertheless, had he not had that substantial motive for saving, which the prospect of a house of his own gives, he probably would not have saved at all. To impart to our rustics new enterprise and new motives for self-denial, a fundamental change in their relations is essential.

In his present hopeless and thriftless state of mind we have an unwelcome explanation of the fact, that the English peasant will not eat rye bread, barley bread, or oat cake. It is in him so far from being a point of superiority to the French or German peasant proprietor, that it merely illustrates his more reckless and self-indulgent state. Our Poor-laws for eighty years past have taught him to believe, that if he consented to eat bread of an inferior corn, it would merely lower his wages. Under the *old* Poor-law this must inevitably have been the case; and in the great struggle against the Corn-laws the doctrine was put forth as an axiom by Protectionists of every grade, that cheaper corn *meant* lower wages. Our foremost economists had maintained this doctrine; and we fancy that we lately read even in Mr. Fawcett the words, that "wages sink with the price of food;" but we cannot recover the passage. On the contrary, the Anti-Corn-law League urged, that if rural wages were so determined, it did but prove the laborer to be in so far a slave, who, like a horse, must be fed, but would be no better off by the cheapening of his food; and that, wherever the laborer is really free, the intrinsic estimate of his work is the determining element; while the price of his food is irrelevant to the question of wages, in an artizan or a peasant equally as in a clerk, a painter, or a surgeon. This is undoubtedly what every spirited and improving farmer feels to be just. From a gentleman farmer who migrated into Hampshire we once heard the complaint, "It is worse to pay ten shillings a week to these men than fourteen to Yorkshiremen: they are so slow. If I have a good horse, they spoil him by not allowing him to step quick." When a farmer buys a man's *work*, and not his *person*, he feels it unjust to make him responsible for the laborer's comfort. The purchaser of shoes or employer of a

physician is not more responsible than other men that the shoemaker or the physician shall have enough to live upon: why should the purchaser of labor be supposed to take on himself so arduous a duty? The contrary doctrine affects to be "merciful" to the laborer, but, on the contrary, it does but put him "at the mercy" of others. *It degrades him*; it breaks down his self-respect; it teaches both him and other classes, that his normal and rightful position is that of being a permanent object of charity, not a self-depending person. It demoralizes the family by splitting it into units, of which each has its right of support from the Poor-law, while none (except those who are fools enough to be self-denying) are under duty to support the rest. In all this is contained the essential virus of the *old* Poor-law, for which it was condemned by all economists, and exploded by statesmen; yet it survives for mischief, though enfeebled. Mr. J. S. Mill, in his first edition, p. 404, renounced the doctrine that wages rise and fall with the price of food; but he was constrained to add, "unless they are artificially adjusted by law or charity." We do not say that they are still thus adjusted; but it is evident that neither landlords nor farmers dare boldly to explode this doctrine of adjustment, and that the peasants are as far as ever from imagining self-dependence, with all its duties, to be their rightful and desirable state. Until this moral idea is formed in their minds, we see not how a first step of real amendment can be taken. At present it is lamentable to hear the recriminations which arise at agricultural meetings, if the wretched state of the peasants be broached. Some zealous and philanthropic clergyman perhaps complains of the peasants' dwellings, in which too often grown-up girls and boys sleep with the parents in one room, or a dung-hill lies under the only window of the little kitchen and parlour. A landlord replies, that if he were to rebuild the cottages he should not get two per cent. on them; for, the farmers pay wages so low, that the laborers cannot afford two shillings a week for a cottage. Some spirited farmer makes rejoinder, "If the landlords will do their duty, we will do ours;" which probably means—If they will give us longer leases or lower rents, we will raise wages. Evidently this sort of altercation may continue for a millennium without any benefit to the peasants. Duties so *indefinite* as this of patronage and thoughtful disinterestedness, between class and class, when they meet to make a bargain, must always leave the weaker class in the lurch.

It is often said by the opponents of aristocracy that our

peasants are suffering from the old "feudal principle." This is to state but a half-truth, and that so as to conduce to confusion. We almost think it would be more correct to say that the intrusion of commercial notions into feudalism is the source of our entanglements. The landlords have disowned feudal taxes and feudal obligations; yet, retaining feudal grants or rights founded on conquest, have incorporated on them commercial ideas of land which evade feudal restrictions. The feudal lord was bound to do many services to the king; from these he has voted himself free. He was bound to keep up soldiers for the king's service; he now takes leave, if he choose, to clear his estate of men and women and make it a deer park. He had a right of certain payments and services from his retainers which were settled by custom; but he was not able to eject an old tenant and replace him by another who would make higher payments. William of Normandy did, indeed, unless chroniclers have belied him, destroy villages to enlarge the New Forest in Hampshire; but so exceptional was this violence, that it has left an abiding brand on his memory. None but a tyrannical and wilful king could then do such a deed, nor was he likely to endure that any of his barons should imitate it. According to the feudal idea every baron was a petty king. The baronial land belonged to the baron, only as the entire country belonged to the king; not as a coat of mail or a house belong to him. His lordship over the land was not ownership; did not imply a right to drive others from their holdings, any more than royalty implied a right of arbitrary exile. While feudalism was unimpaired, the baron could not transfer his rights by sale—he was virtually a high officer of the Crown, though holding his post permanently. In fact, the history of the Channel Islands suggests a plausible defence of feudalism. Under the pure feudal system, undoubtedly the peasant was little better than a serf, and the small freeholder had not much chance of redress if injured by a powerful baron. Yet, in the progress of time, custom hardened itself into right, long tenancy led to copyhold; peasants might gain either a métayer position or a freehold, wherever public liberty had a happy course. The Channel Islands being part of the Duchy of Normandy, must have been feudal before the conquest of England; yet the peasants there have not had a common history with our peasants. Is not this owing to the oppression which was exercised by our early Parliaments upon our agricultural laborers from Edward III. downwards? Not only were sumptuary laws enacted against them, forbidding them to dress in rich and handsome clothes—

a mark that they were then prospering—but a maximum of wages was set, and the man who refused to accept the parliamentary wage was liable to the punishment of scourging or of the stocks. From this infliction, the Channel Islands were exempted, since they have a separate legislative constitution. We submit therefore to consideration, whether the mixed English Parliament which represented *every class but the lowest*, is not more to blame than feudalism proper, for whatever is amiss in the present state of our peasantry. Their depression dates from a very distant era; hence their passive submission and their abject humility, void of ambition, enterprise, or self-dependence.

The decrease in the number of freeholders was not noticeable at the time of the Commonwealth, and is attested to have become more and more rapid for near a century past. It has been greatest in the last half-generation, apparently much accelerated since the invention of railroads, and yet more since the abolition of the Corn-laws. To recount such a history is nearly to enunciate that the change is caused by increasing wealth—wealth of the mercantile classes primarily, and of the greater landlords secondarily. Nothing is more intelligible than the process of agglomeration.

The towns having become wealthier by the enormously enlarged foreign trade, demand of the home market supplies of butter, cream, vegetables, poultry, which railways bring to the customer's door from counties once too distant to be reached, and the farmer's gains quickly flow into the landlord's coffers. Thus the whole body of landlords finds its resources swelled; but chiefly, of course, those who in addition to the ordinary farm rent possess building land, mines, quarries, canals, quays; who also, in most cases, receive large sums of money or free railway shares as compensation (generally at a prodigious rate) for railway land, which previously was no source of wealth to them. Every great landlord who thus has thousands every year to spare, equally with every highly successful merchant, engineer, or railway lawyer, desires to purchase land, not merely as an investment, but as a mode of spending; for there is no estate so great and so perfect but its owner would gladly "round it," by adding this or that little property which interferes with his eye and taste, or with his schemes, political or moral. Be the temper of the great proprietor artistic, domineering, or philanthropic, reasons are never wanting for enlarging his estate by legal and honorable purchase as soon as he gets the opportunity. *One* desires to exterminate demoralizing beershops, *another* to repress political

independence or ecclesiastical dissent, *a third* to enlarge his park, to divert a road, to remove an ugly workshop, or to drive to a distance a laboring population which swells the parish rates. When many rich men thus covet the land their competition raises its price so high, that when bought, it pays them but a small interest, perhaps three per cent. or less. Of this they either complain or boast, displaying it perhaps as proof how ill-used or how moderate are the lords of the soil; whereas, in most cases, the purchase has been desired for other reasons besides the direct pecuniary returns; in fact, may be a mere mode of enjoying money independent of its wisdom as an investment. Perhaps we ought here to add, though we need not lay stress upon the topic, that the possessor of a large estate, even if he have not large ready money free at a critical moment, can always command it of bankers on moderate terms, so as to buy just when the opportunity offers. Notoriously, certain noblemen have embarrassed and impoverished themselves by mortgaging one estate in order to buy another; and where political influence thus gained brings back to them payment in the form of lucrative appointments to members of their family, such policy may not always be delusive. But in the long run it will entail its own ruin; nor do we suppose that permanent extension of landed estates can arise in the present state of our country from any other cause than the real growth of the proprietor's resources. The interest of his capital invested in land cannot be counted on *à priori* as equalling the four per cent. which he would pay on a mortgage.

It is strange that any should be deluded by so transparent a fallacy as to infer that because a rich landlord gets but three per cent. for his money invested in land, therefore a peasant proprietor could get no more if he bought at the same rate. Men of business, if they buy as an investment, certainly get more,* even as mere landlords. A correspondent of the *Morning Star*, who is assailing the principle of large domains, as illustrated in West Sussex, while deploring the ever increasing estate of Lord Leconfield, attests that that noble lord, who buys land as an amateur and a politician, rebuilds the cottages in a superior style, and lets them at a very low rate. We presume we may believe the statement, made as it is by a hostile party. A nobleman who has an income

* During the Anti-Corn-Law movement Mr. Robert Greg, once M.P. for Manchester, caused great surprise to a Committee of Parliament, by attesting before it that he made seven per cent. out of a landed estate which he had bought.

vastly beyond what he knows how to spend, feels it a miserly thing to invest it where it is invisible. Rich or poor, men like to see their property; and whenever a freehold is for sale, the wealthy neighbour commands the market by his willingness to give prices so large. Thus the huge estates have a tendency to increase without any direct injustice in the law, or anything dishonorable in the individuals.

But the question will here arise, What creates the willingness to sell the small estates? Why is not the process of aggregation counteracted, first by the same spirit which made Naboth unwilling to sell his patch of ground to King Ahab, next by the occasional sale and division of large estates? In general, it is to be expected in human life that property shall have a tendency to change hands. Mercantile wealth is said to pass away with the third generation. Why is no compensation of this kind met with in the United Kingdom? A sufficient answer to these questions does not appear to be deep or difficult.

Even where national law forbids the permanent alienation of small freeholds, each of which is defined to be the property of the family and not of the temporary holder—as among the ancient Hebrews—the imprudence or calamity of a certain number will lead to mortgages or temporary sale. Thus in any numerous class of humble proprietors who have a power of absolute sale, there will be every year some fraction whom poverty drives to sell. But far beyond the margin of those compelled by poverty, is the number of those who cannot resist the temptation of a large price, especially when resistance gives offence to a powerful neighbour. The nominal high gains of trade much affect the imagination of simple rustics. They never hear of such a thing as even the wealthiest farmer becoming a millionaire; trade alone can confer such prizes. Many of their own advantages are taken and enjoyed without payment or estimate, and probably never figure in their accounts. A rural freeholder is well aware how slow is the increase of his own capital, and he knows little the bankruptcies of trade. The gains of the prosperous are apt to pass with him as the average earnings of the commercial classes, so that when an inordinate price is offered for a little holding, the magnitude of the money—which, if invested in trade, is in imagination quickly to be doubled—too easily overpowers the more sanguine and enterprising of rural freeholders. Whether such men lose all from unacqaintance with their new business, or become prosperous townsmen, matters not to this argument. In either case, the little freeholds are absorbed, and the less

enterprising part of the rustic population is constantly abandoned by individuals who might have stimulated it. As to the compensation which might be expected by the occasional sale of large estates, this does happen in regard to those of the second and third magnitude, but not in regard to the first-rate estates, especially those of the nobility, since these last are *entailed*. Nothing is commoner than to detach from a small landed estate pieces of land for building, or of a few fields as site for a citizen's elegant villa; but the greater landlords, even in what is called the *sale* of building land, have long been accustomed to sell for ninety-nine years only. Whole towns have thus become their property. The actual process seems to be a secular disintegration of all properties except the largest, which alone are artificially held together by law; and are allowed to increase without limit, while the imprudence, or whim, or deliberate desire of the owner is not permitted to lessen them. Thus, though law does not actively cause their enlargement, it really deranges the balance of natural forces, and acts in the direction of bringing about estates as large as those of feudal kingdoms, though the tenure is commercial. The population, living on a large surface, have none but commercial relations with the great proprietor, who can eject them from their homes at his own private will, and banish them to a distance from their work and from their friends, without being responsible to law or to the opinion of his own order.

As prædial slavery is more detestable by far than household slavery, because the capitalist regards the slaves as mere tools of production, and is brought into no moral contact with them; so landed property, bought as an article of *commerce*, and conveying with it no well-defined duties towards the population which live on the surface, is an institution liable to generate great oppression to the people, even without any intentional injustice or unkindness in the proprietor. The laws which permit a man to count land his, when he does not cultivate it, to appropriate to himself the improvements which centuries of labor have imparted to it, and sell it, as he might sell a horse or a cheese, to a wealthy stranger, are wholly arbitrary. If the working of such laws is found to be pernicious to the millions who till the soil, their very basis, must be freely explored; nor can anything in the matter be sacred, except the right of indemnity if any pecuniary sacrifice be demanded. Loyalty and contentment can never be earned by the silence of public speakers and writers concerning it. Perhaps we very imperfectly know what thoughts even now are brooding in rustic bosoms; it would be evil to be taken by

surprise, as were the French nobility in 1790. Those who elicit free talk from peasants, meet occasionally with much to startle. The agricultural incendiarism of 1832 has of late been unpleasantly imitated in Yorkshire; and this stupid, barbarous mode of displaying discontent is a painful revelation, both of deep ignorance and of possible fanatical atrocities. On the ground alike of humanity, of justice, and of interest to every class, we must claim a right of full and free discussion, without malice and without favour.

The first topic of high politics which is suggested is, the interest of the State in maintaining a numerous rustic population. *Rusticorum mascula militum proles* is proverbially necessary to the safety of every community which has powerful and ambitious neighbours; and the panics of 1839 and 1852 as to possible invasion by Russia and by France, are anything but flattering to the pride of England. We will not dwell on the necessities inflicted on us by our imperial position, which at present claims a great British army for India, and numerous small armies for the colonies; besides that which is reasonably needed for home-defence. Obvious and important to our hereditary policy as this must be, we prefer here to press the topic, that the feudal system, on which alone manorial rights are based, distinctly imposed upon every baron the *duty* of maintaining on his estate, bands of retainers for the military service of the crown. In the face of this fact it is peculiarly scandalous to read, on the one hand, of the dispeopling of extensive tracts for the maintenance of deer and grouse; on the other, of pulling down cottages and driving away rustic laborers, in order to lessen Poor-rates or get rid of vulgar tenements. What legal cure is to be desired is a grave and difficult question; but first of all, we claim that such practices shall be morally condemned by authoritative utterances. It belongs to the ministers of the Crown to maintain the rights of the Crown in its relation to the baronies; and, as entrusted with the high executive, to remonstrate against draining away the sources which feed the Queen's armies. If at the time when the celebrated Scotch clearances were in embryo the King's minister had protested in parliament against any attempt to dispeople a district, and had pointed out that, if persisted in, it would justify new legislation against such an abuse of a landlord's right, the process would probably have been stopped. On the contrary, the mind of England—both official and literary—appeared to approve of whatever swelled the revenue of a landlord; as though the sole use of land were to pay rent. Economists pressed the miserable condition of the Highland

peasant as a reason for congratulating him on being driven into some still more miserable fishing-town; as if quite forgetting the possibility that his unsatisfactory state as a rustic may have been due to the insecure tenure, or other unfairness of position. They have also urged that the country collectively is not less peopled by replacing peasants with stags, and crowding the towns with the evicted population. If they mean to argue that the towns thus peopled produce through manufactures an equal total of national wealth, they may be right—for aught that we now care to reply. But such a topic is the least part of the real question for a statesman, inasmuch as towns which are mere sinks to receive the influx of rustic misery, and convert hardy peasants into weakly townsmen, are the notorious plague-spots of decaying civilization. Such were the great cities of the Roman empire, which, beginning from Rome itself, swelled massive in proportion as slavery and pasture unpeopled the country. Towns which grow rapidly by accretion are, moreover, for the most part dangerous to public morality; in fact, are sure to outgrow all institutions of religion and education, perhaps also of police, except where the people themselves unite high prosperity with intense self-organizing power; a condition partially exemplified in the United States only—as in Buffalo or Cincinnati, as contrasted with New York. But by the violence of law to displace rustics and force them in large masses into a townlife—to which they betake themselves, not because their labor has there an extraordinary demand, but because they are mere exiles—is a form of oppression which neither economists nor statesmen should excuse. As to the alleged legality of the proceeding; if this mean that no written statute has been passed to forbid it, that of course is true. But if it be conceded that no baron or lord of a manor can have greater legal powers than the king from whom his powers are derived, then inasmuch as the king never dared to claim a right of evicting his subjects from the soil, it seems to follow that no representative of the king has by common law any such right, and a declaratory statute is needed to define the landlord's power. If the baron or manorial lord claims feudal rights, he must remember how those rights were limited, and what duties to the crown they implied.

In thus pointedly referring to a great evictment no longer recent, we do not enter on an unpractical question, for it shows distinctly two things, that the landed aristocracy, aided by the mercantile classes, has attributed to itself rights in the soil, as against the tenantry and peasants, far higher than those regarded

legitimate in feudal barons or monarchs; and that the executive government has neglected to oppose and protest, even where the power assumed tends to cripple the military energy of the country and propagate pauper towns. These are surely important *a priori* indications that we need to reconsider the fundamental principles involved in the feudal grants on which landed property rests.

The doctrine of "letting things alone" which is advocated by the most esteemed economists, becomes sheer fatuity when adopted beyond the range of mere marketing, into politics itself; for it is then, in fact, an abandoning of all government. The welfare of every nation depends on the justice of its fundamental principles as to public and private right; among which the rights of the *soil* are nearly the most vital. It surely is not for the convenience or benefit of a very limited class called landlords that high powers over the soil are conceded to them; it is for the presumed benefit of the nation; and in judging of that benefit, statesmen must not pass questions by, as mere economists would, because they concern *only* national virtue or national safety. Among these questions, one highly important concerns the density with which human dwellings are distributed. Too sparse and too dense a population are alike evil. If it be too widely scattered, any efficient police, and institutions of education and religion may become impossible; marketing is harder, division of labor is less perfect; from all which follow national ignorance, languor, rudeness, and poverty. If the population be too dense—or rather, if its growth in density be more rapid than its organizations for cleanliness, health, mutual relations, and civic co-operation—then vice, infection, poverty, weakliness, and crime are the normal fruits. It is therefore a primary duty of statesmanship to watch against those encroachments of *private cupidity* which may induce either of these unfavourable extremes; and we seem to have fallen into both. To check the unwholesome growth of manufacturing towns, it has been suggested, a limit should be set to the number of house-chimneys and of manufacturing furnaces in a given area; but we name the topic here merely as a foil to the other side of the question,—the ejection of peasantry for the sake of emptying away human population.

Hitherto it would seem that the whole movement in England, since the invention of the steam-engine, has been to encourage emigration from the rustic districts. The new energy which it added to machinery attracted the great enterprise of the country into the towns. It is often remarked by Manchester men, how small a part of the inhabitants of that city—in the richer or in

the poorer ranks—were born there, or even in the county. While the towns attract immigrants both by higher wages and by the hopes of high profits for capital, the country sends out her population, not only into our towns, but into our colonies beyond sea, or into the United States. Nor does the vastly increased demand of the towns for agricultural products sensibly require an increased number of agriculturists, for foreign lands supply us largely, and improved agriculture liberates hands from service. Thus it is possible for the population of all the great towns to increase, with little or no increase of that in the rural districts; and this appears to be becoming our normal state. In the last ten years the exodus of Ireland is the cause which chiefly has lessened our collective numbers, yet in England itself the rustic population is stationary, although marriages are not less numerous nor less fruitful.

It is not many years since the *Quarterly Review* earned much odium in the north by declaring that (if we may quote from memory) the country would be none the worse if Manchester and all the great manufacturing towns were swallowed up by an earthquake. This declaration was only an extravagant and offensive form of stating a proposition which was an axiom with all the wisest statesmen, philosophers, and great writers of Greece and Rome—and we believe we may add, of modern Europe—who agreed beyond what was to be expected with the Mosaic institutions also, in their warm approval of a rustic population. Every school-boy knows the pride of the Romans in their "rustic tribes," and contempt of the city masses, the "dregs of Romulus." From an English, from a Conservative, we will add, from a Tory, point of view, we claim to speak against and denounce as a national evil, the heaping of all the new births of the nation into cities. Rural industry ought to be developed, villages and small towns should increase, so that the chief increase of the rural districts shall continue to be rustic. For the larger towns, their own natural increase ought to suffice, instead of their being swollen by a perpetual immigration from the country. A great landlord who calls himself Conservative, and drives the population off his land, is acting as a demagogue desiring revolution would wish him to act. How long is it since the Tory press used to enforce that the unorganized flitting masses of population in huge towns are the material of sedition, tumult, and revolution? We used to hear of aristocracy as priding itself in its "rustic retainers," the source of its honour and of its strength; what is the omen for its permanence, when

it comes to think primarily of its preserves and of its parks—*vivaria et hortos?* It has also been said that an aristocracy never forgives a member of its own order who sacrifices its political prospects to his own tastes or interests; but with us that too is changed; apparently, however, because the Order does not discern that its future is undermined, if its relations to the "rustic tribes" become commercial only and not political. Evidently our landed aristocracy ceases to regard the peasants as *its retainers.* It is become an aristocracy of *Wealth.* It thinks of sheep or stags as on a par with peasants, equally valuable, and perhaps more picturesque. A peasantry is no longer needed for their political greatness. If this be from an overweening confidence in the strength of a political institution which has become highly artificial, we doubt whether they duly read the signs of the times. The Hungarian nobility having been depressed under the Austrian crown—to the high satisfaction of their English compeers,—no other great peerage remains in all Christendom as a moral support to that of the United Kingdom. Because we do not desire, but gravely deprecate, such convulsion as any great political depression of the peerage and of the landed gentry would imply, we would anxiously urge foresight and prevention of danger.

But in this question of land two topics are involved, wholly distinct. The one is, the lessening of the population in rustic districts, as a result of the spread of vast estates; the other is, the absence of all rights and interest in the produce of the land on the part of the actual cultivator. The fewer the landlords the greater is political envy, when they have feudal rights without feudal duties; the fiercer is passion, when sedition moves, and the easier is violent revolution. But the passion and the sedition would have no fuel, if the peasant had rights which made him conservative. The dangerous combination arises when, side by side, you have vast estates held by force of mere wealth and no visible object but that of personal indulgence, and a peasantry which has no present security, no hope of a better future, and no power of understanding why it should labor and another reap. But on the *danger* of this combination we say no more, and turn to another side of the argument. Let it be first observed, that the position of the peasantry is only indirectly connected with the fewness of landlords. We might still be far off from the cure, if every great estate were broken up and no landlord had more than a thousand acres. The essential evil to the peasant is the state of things which a majority of our economists have treated

as normal (though in fact it is a marked peculiarity of our country, —the sharp distinction of landlords, farmers, and laborers, of whom the first are supported by rent, the second by profits, the third by wages. Next to the slave, the hireling peasant has in all nations been regarded with contempt or pity; indeed, the Russian serf would have disdained to exchange with him. The poorer his employer, the worse is his case. When that employer has himself an insecure tenancy, and not only pays rent, but is liable to have his rent raised—perhaps year by year—the peasant habitually submits to wages which he will not accept from "a gentleman," as many a gentleman farmer has found to the severe inconvenience of his pocket. In fact, this is the fundamental, and apparently incurable cause, which makes farming to gentlemen a fancy pursuit only, not a source of profit, whatever their intelligence and energy. In Russia, notoriously the serfs had the hardest life under the small proprietors; hence, if the fundamental distinction of landlord, farmer, and laborer, could be maintained where few estates exceed a thousand acres, it might seem that the landlord would screw the farmer, and the farmer the laborer, more severely than ever. But if estates so small abounded, their holders, being unable to play a high part by wealth, would largely become gentlemen farmers themselves; a system under which wages would more easily rise than now.

When it is admitted that the English peasant works very hard and very continuously, all the Catholic holidays having vanished, in a climate which has no part of the summer and very little of the winter excluded from toil; the fact that he lives ordinarily on the verge of destitution, with no power of providing for old age or sickness, makes it difficult to doubt that *something* in our institutions acts unjustly against him. Things were still worse under the old poor-law, under a system which paid part of wages out of poor-rates. But the fundamental question returns,—ought poor-rates ever to be counted on as anything but an exceptional resource? Is a nation in a wholesome state, when laborers who work diligently from the age of eight or ten to sixty or sixty-five, without peculiar illness or great calamity, have no resource for old age? Has this been the normal state of mankind? We virtually have a reply in the fact that poor-laws had no existence in mediæval England, yet the peasants did not fear to die of starvation in old age. The Romans had no poor-laws until the city was crowded and the country emptied by the destruction of small freeholds. In fact, as a general rule, barbarians have no poor-laws, and do not appear to need them,

in arctic and temperate, any more than in warm climates. Poor-laws grow up with some forms of civilization, not with all; and as the need of them on any large scale indicates misery in the laborers, those institutions which occasion the need are so unfavourable to the laborer that we must call them unjust.

We fall back on the conviction, that though legislators and landlords ought not to oppose, but in every nicely balanced question ought kindly to assist, an industrial revolution in favour of the peasants, yet the motive power which alone can effect this revolution lies with the artizans of the towns primarily, and with the peasants themselves secondarily. Thirty—nay, twenty years have wrought a vast change in the artizan class. The "physical force Chartists" have long since vanished. Their successors better understand their own strength and weakness, and in the last ten years have learnt that the road to competence lies through co-operation. Beginning from a common shop, which virtually gives them retail goods at wholesale prices, they learn *first* the value of cash payments, *next* the rich reward of self-denial, especially of the very cheap self-denial involved in abstinence from tobacco and intoxicating drinks.

"Co-operation" cannot be talked of on a farm until it is divided into small holdings, or the workmen are all shareholders; and it is only by the great increase of produce which is thus obtained that land can pay more than the small interest which amateurs accept. The artizans largely come from the country, and retain affectionate remembrances of their rural birth. Most of them would be glad to establish one or more of their children as peasant proprietors, if that were possible. They further begin to understand, that, as an order, they cannot rise politically, unless the peasants be raised, whose depression and scanty remuneration are the load which socially and politically weighs down the artizan class. They have, in the case first of Mr. Robert Owen, next of Mr. Feargus O'Connor, shown how zealously they desire a new agricultural development. For all these reasons, it seems probable that if a co-operative society began by buying one moderate-sized farm, and divided it into portions of six to ten acres, they might find either among their own members, or among other townsmen known and trusted by them, persons rich enough to provide seed and stock, and live through the first year on such holdings, and willing to occupy them for themselves or their sons. The beginning is the great difficulty, while plans are untried and every one is timid; but in a society which counts its members by the hundred, it is not beyond probability that ten or a dozen

may be found answering the above conditions. If the small tenants have but *a secure tenure*, they will be able to pay a good rent without oppressing themselves—a rent probably double that of common farmers; so that the society, if it did not gain profits so large as in hazardous trade, may probably get six or seven per cent. The tenants must be secured in possession for themselves and children, so long as they pay the quit rent, and should have an option of converting their holding into freehold by buying off the rent in one payment or by instalments, on a scale previously approved. Such conditions would make the tenure, from the first, as secure as a freehold to one who was not wholly poor, and would supply to him the motive for economy, diligence, and study of agriculture in the Flemish and Guernsey sense.

The first thing of all is to show, on however small a scale, that such cultivation can succeed, can give independence to the cultivator without loss to the society which establishes him. Should the existing societies be unwilling to make the experiment, it is quite possible (if only the artizan class be prosperous) that a special society may rise among those interested for self or son, expressly to make this experiment. When once it has succeeded, we predict that it will be taken up on a larger scale, that somewhat larger estates will be bought, will be broken up, and a real co-operation be introduced—on the one hand by the society providing certain agricultural machines, and letting them for hire: on the other, by the holders entering into special agreements for combined labor. The mere peasants have not yet enterprize, intelligence, or wealth enough to be pioneers of such a movement; but if once they see peasant proprietors, and learn that such a state is not impossible to themselves, they will have a new and cogent motive for self-denial and saving. Some among them, where wages are high, will actually save, and a commencement will be made towards a more hopeful state.

In past days any allusion to the more prosperous condition of the actual cultivators in the Free States of the American Union used to meet the reply, that this is due to their abundance of land, and that we, in our little island, cannot hope for the same. When we turn to the petty islands of Guernsey and Jersey, we have a sufficient reply; their cultivators are more prosperous and self-dependent than ours. Evidently, then, we have deluded ourselves. Neither largeness nor smallness of land is our defect, but false principle. Direct interest in the crop, and secure tenure of his place, are what our peasant needs. Recent years have shown how false was our notion concerning the poverty of the

French cultivator. Miserly the class may be, but not poor: the sums of money which they freely lend to the Emperor is a decisive disproof of that error. Equally have we exaggerated the division of the soil in France; a topic which nevertheless is not here to the purpose, for no Englishman is, just now, proposing to introduce the French law. At the same time, we habitually mistake that law; nor do its principles deserve the summary contempt which even our Prime Minister (Palmerston) thinks it decorous to express. Two instructive letters on the subject have appeared in the *Morning Star* from the pen of Monsieur A. Ansas, "Avocat," who explains that the French law does indeed prevent a parent from wholly disinheriting a child, but does not enforce an entirely equal division of property. Like Frenchmen of every rank and class, he looks on our peasants with pity, on our aristocracy with amazement. Our peers ought at any rate to reflect that a peasantry which has a stake in the soil is sure to be highly conservative, while ignorant "proletaires" may by slight causes become a horde of fiery insurgents.

There is only one other topic on which we must touch before closing. Many write confidently, as though the system of peasant proprietors had been tried in modern England, and had failed: the diminution of small estates in the last century is treated as in itself a decisive indication that it cannot succeed. Yet, on the face of the matter, this is surely refuted by the experience of France, Belgium, Italy, Germany, Switzerland, Norway, and Guernsey. Such experience is too broad to be deceptive. There is nothing in England so unlike all these countries that what succeeds with them should be incapable of success with us. In fact, small freeholds which die out with us are *not* (as far as we are able to learn) those of petty cultivators, but rather may be called those of petty gentleman farmers. Of these a principal type is found in those who are called "statesmen" in Cumberland. From an educated gentleman, whose grandfather was one of these "statesmen," we learned that his patrimonial estate was of 130 acres, more than ten times the size which suffices for a peasant who has to cultivate everything by his own labor.

PEEL'S ACT OF 1844.

[Reprinted from "Frazer's Magazine," July, 1869.]*

The subject of Currency has long been the scandal of Political Economy. It is not intrinsically more difficult than the other parts of the science: nay, it is in itself far less obscure than the incidence of Taxation, or the determination of Price. But it has been made obscure by *vicious legislation*. We may seem to speak dogmatically; but to mince words here would be a sham humility. No one defends English legislation, on the subject of banking and notes, up to the close of our French wars; no one can plausibly defend the last great measure of 1844, especially side by side with Scotch law and Scotch experience. If Scotch law be right, English law is extremely wrong; and conversely. Whoever wishes to understand Currency, will do well to begin by supposing England and Ireland non-existent, and confine his attention to Scotland. After this, knowing what is the relation of cause and effect, he will be at no loss to understand English complications, and judge correctly of our legislative wisdom.

Concerning metallic money there is only one thing obscure to the least instructed, viz., how it gets into circulation. Primarily, when it is coined by a government, it is circulated by government *expenditure*. The State gathers and stamps the gold, then uses the coin to pay for what it wants. But such expenditure falls far short of the needs of currency for an industrious people. In some countries foreign coin circulates; in a rude state individuals coin, and in regard to cheap metal this does well enough; but to attest the purity of gold and silver a government assay is desired. With us the State coins at its own expense, and gives the coin in exchange, with necessary alloy and work *gratis*, to any one who will bring to the Mint the same weight of pure gold, not less than a thousand sovereigns. Thus money-dealers supply themselves and the public with a sufficiency of gold coinage, and we are no longer dependent on the expenditure of Government for the supply. Currency becomes a science only when we pass from metallic to *representative* money.

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* *Principles of Currency*, by Bonamy Price, Professor of Political Economy in the University of Oxford. James Parker and Co. 1869.

Professor Bonamy Price, in expounding this science, often frets us by his use of words, and surprizes us by the eyes which he casts upon matter of fact: but he is lucid and searching in his exposition of principles. We shall rapidly apply them first to Scotch law and practice. In Scotland the State never spent much gold coin. The bankers, instead of teazing the Crown for more, took into their own hands the remedy, and issued simply their own notes, payable on demand. As the people were satisfied with this, so was the State. Down to recent times sovereigns were scarce in proportion to notes. There, as here, use is made of bills and cheques, as well as of notes payable on demand, which are, as Prof. Price acutely remarks, nothing but *cheques* drawn by a man *on himself*. If a state takes the duty of coining metal, *forbids individuals to coin it*, and then does not supply enough; if in consequence a *base* paper currency get abroad, which is accepted under hard pressure, and great calamities arise by bankruptcy, then the State is blameable. The proper cure is not to forbid private issue of paper (unless indeed the State will take that function also wholly on itself, *and do it effectively*), but to increase its metallic issues for small traffic. But in Scotland, though there has been an insufficiency of metallic money, and the people consequently are used to ragged notes, which (as we think) would be well displaced by more gold sovereigns, yet no public calamities have been sustained. One great bank failure startled the country, in the Western bank of Scotland; but Prof. Price informs us (p. 128), that the creditors of all Scotch banks have been paid in full. He justly remarks hereon, that the Scotch have been good bankers. They have had the advantage of being left alone.

The doctrine of *laisser faire*, which is so pernicious if allowed to dominate in *politics*, is the heart and soul of thriving *trade*. A trade which *must* be put under severe restraints,—as the sale of intense poisons,—cannot be a very gainful one. The great energy of modern trade is in proportion to its freedom. Many trades ought to be subjected to some superintendence: Professor Price illustrates this from emigrant ships. We heartily assent. But if a trade ought to exist, it ought not to be *needlessly* interfered with, nor beyond the mark of necessity. There is a clear reason for enacting a *minimum* for bank-notes payable on demand: 1. Because of the increased danger of forgery involved by small notes. 2. Because the poor and ignorant need to be shielded from the miseries which bankrupt notes inflict on them. We thoroughly approve of the extermination of the English old one-

pound notes, and can see no advantage in those of Scotland. Five sovereigns are a very trifling weight to carry; no inconvenience can be suffered on this head. The advantage of the metal is well bought by its price. But it is obvious that these reasons for prohibiting small notes are inapplicable against larger notes. Five-pound notes do not pass, like sovereigns, very often, very quickly, in a very hurried way, very unobserved. If they are not legal tender, they hardly inflict on a seller more compulsion to take them, than do *cheques* of five pounds; or if this be not true of five-pound notes, yet it is certainly true of twenty-pound notes. Totally to forbid private persons to issue notes, while they are free to draw bills and cheques, or to profess the trade of banker, on whom cheques are drawn, is wholly arbitrary, unintelligible, indefensible. It is an interference with trade immensely beyond what the defence of the poorer and ignorant classes requires. In Scotland there is no such interference. The banker, at his pleasure, issues notes, as he accepts bills, and has cheques drawn on him.

A banker's great temptation is to overtrade by *bills* and *cheques* (which is called, we believe, over-banking), not to over-*issue*. For if he err in the former way, though punishment overtakes him possibly in six months, yet he has time, he has warning, he may devise escape, he sometimes outrides the storm, and it blows over; but if he issue too many notes, he smarts for it in one week, sometimes in a single day. The public determines how many notes it wants. No one in our country retains in his pocket-book or desk very long much more either of notes or of coin than he thinks he is likely to use; and the bankers are keenly aware of this. Justly does Prof. Price wonder at the ignorance and perversity, which talks about the "inflation of the currency" to be feared where private persons issue notes freely. In a compact, moderate-sized country like ours, with a strong executive, firm courts, and rapid travelling, notes not wanted are infallibly returned on the banker very speedily. Only in a vast, wild country, as the back States of America, such a thing as inflation may temporarily happen; but the people themselves, who were sufferers some twenty and more years ago, ere long brought a sharp remedy, enacting that *the noteholders should be paid before the depositors and other creditors* of the bank. (Whether this is an expedient principle is among questions open for legislation: of course depositors must have fair warning that they will have to encounter this risk.) Now, inasmuch as the natural penalty on the banker who makes an imprudent *issue of notes* is quicker and surer, such imprudence

is less to be feared. He who is prudent as to bills and cheques is not likely to be imprudent in his issues. Hence (it has been argued), a law which forbids a banker to employ his capital on the less dangerous side—issue of notes—drives him into greater activity in forms of business which are more liable to abuse; and whatever else they do, do not aid to sustain his solvency, but rather add to its risks. It would be interesting to know what ratio exists with the great Scotch banks of issue, between their issue of notes on the one side, and their dealings by cheques and bills on the other.

Prof. Price carefully analyzes the banker's operations and concludes that he is at bottom nothing but *a broker for the transfer of debts.* He needs capital to start with: so does a grocer. He needs gold, silver, and notes to pay balances with: so does a grocer. But he no more *deals* in "capital" than does a grocer. No one can create capital. That which the banker accepts and transfers is not capital, but the *title* to capital. Neither cheques nor bills nor credit are capital. Credit is permission to use the capital of another; but if one uses it, the other does not. The banker receives in deposit, or collects for his customers, sometimes solid money, but far oftener paper, which is *a memorandum of indebtedness*, and carries with it a right to money, either instantly or at a short interval of time. He *either* pays *no* interest to his customers,—who are then satisfied with his services as agent, collector, and guardian of their funds, guardian also often of their documents, occasionally of their valuables; *else* he pays to them an interest smaller than he receives from those whom he temporarily accommodates. In the latter case he generally charges commission on the cheques which they draw on him. This somewhat complicates his business, but is of little importance to science. The allowing of interest is of course intended to allure depositors, and may involve danger, unless the rate be very low; for it drives the banker more eagerly to seek those who need accommodation, and tempts him to give it too easily, lest he be an actual loser. Of course he tries to recover his loans at short intervals, yet they cannot possibly be recovered on demand; and he generally has to pay his depositors on demand. He dares to pay interest on *those* deposits *only*, which (it is agreed), shall be left with him for six months.

Cheques are understood by everybody; but not many of us have any familiarity with bills. Ricardo first taught in broad words that all foreign trade, ultimately and in the long run,

resolves itself into barter. Unless a country has gold mines, it cannot be always paying out gold. On an average, gold will come back, as much as it goes out; so that, in a series of years, the goods sent out from the country exactly pay for the goods brought into it. This is the barter to which Ricardo alluded. And the alternate flow of gold is inevitable. For if gold came in for a long series of years—flow without ebb—it would become cheap with us, because superfluous. Like other articles of commerce it would be at length sent out to find a dearer market, until the equilibrium were established. Or conversely, if it had gone out until we sensibly felt its want, its rarity here would raise its price, and soon bring it back. Only in case of war or revolution can any great fluctuation in gold happen. In war it is wanted in large masses by the providers of armies; it is paid to peasants, and it is long hoarded by them; in revolution it is perhaps buried in the ground for safety.—Well; but let us go back to foreign trade: how does the merchant pay his foreign debts, and collect his foreign dues? He draws a bill on his foreign debtor, and sells it: this becomes to merchants a sort of international currency, but it of course is not legal tender, and is accepted not without peril. To add to its safety it is endorsed by other names, names known and trusted. Such bills pass between two, three, or more nations, and are extinguished by exchanges; exactly, if they exactly balance one another; but if not, then at the season's end, one country and another have a debt to pay; and it is paid in *gold*. The gold may be actual coin; but if it be in ingots of attested purity, this is quite as good. But all transmission of gold involves loss. Insurance must be paid on it, as well as carriage; and provision must be made against stealing, as well as against the elements. A man who receives a great mass of gold without extraordinary preparations, may fear for his life. In London he is probably glad to get it into the bank cellars as quickly as possible, even though he may design to reship it as soon as convenient. Here is another reason why we do not send gold abroad easily and willingly. Every effort is first made to get bills; and when they are scarce, because we have sold to the foreigner less than we have bought, they fetch a premium. On this depends what is called the "rate of exchange" between nations.

Foreign debts, as other debts, must be paid. We might be glad if we could pay them in goods. We know we shall do so ere long: but the seller cannot "order" others to buy: he must wait till they are willing. Meanwhile, there is no choice but

payment in gold. Indeed, *what do we keep the gold for, if not to pay balances of debt with it?* That is its specific function, beyond what is wanted by the jeweller or gilder. If it had not this *foreign* use, inconvertible notes once made legal tender, would serve us without producible gold. The express and urgent reason why we look with disdain on inconvertible notes, why they are sure to be depreciated, is, because they are not legal tender to *the foreigner*; they never can pay *foreign* debts. Hence we may go so far as to say, that the primary paramount commercial use of gold is, to be sent abroad and there discharge the balances against us. It is the *international* metallic currency. If gold is periodically to come in, gold must periodically go out; else England will become like king Midas's fabled realm. It must be added, that the Australian mines now make England, like Mexico, to be a gold-producing country; since the superfluous gold from Australia comes to England first, whatever be its further resting-place. Nor only so, but South American gold destined for the European continent, comes to London by our West Indian steamers, until its real owners—perhaps in Hamburgh or Genoa—demand it through their London correspondents. Nothing can be more delusive than to regard the movements of gold as *necessarily* of more importance to the "money-market" than the movements of iron or cotton. To rejoice when gold comes in, and raise a wail when gold goes out (without knowing anything more about it than the simple fact) is an insanity. Professor Price is justified in treating it as neither more nor less than the mercantile theory, which, since the time of Adam Smith, has been exploded as the wildest of dreams. Gold is not only not the only wealth; it is but one commodity out of a thousand, and is a very small fraction indeed of the whole.

But is the departure of gold, however necessary and wholesome to the nation, *never* a funereal warning to a merchant? In Scotland never actually funereal, but certainly inconvenient. To the nation at large the export of gold to pay a balance of trade is but the salutary restoration of mercantile equilibrium, a mere ebb of the tide: but to the ship which is left on the strand, the ebb-tide may be uncomfortable enough. This needs careful attention. When gold is lodged in London, merely in transit, of course its departure has no mercantile augury whatever. But if in consequence of our being unable to sell as much as we buy (which may happen, if for instance a great customer, like the United States, has impoverished itself by foolish trading, inexpedient application of industry, or destructive war) our merchants cannot

get bills to pay their debts;—the price of bills rises, at last they cannot be got, and as a final necessity, gold must be paid out. The same thing happens, if we *lend* largely to the foreigner, and thus engage to make foreign payments. They who have to pay cannot get the gold *without withdrawing deposits* largely from their bankers. This, as Professor Price insists, is the critical point. The bankers are stript of their means; hence, when merchants who have no deposits, but only goods, come to them for "accommodation," the bankers are shy of lending. Fear of involving themselves beyond their means, when even the greater firms feel the drain on them, universally lessens willingness to lend: on the other side, a perception that more are pressing for loans than the fund for loans can yield, makes the merchants willing to pay higher. Thus the rate of discount is forced up. But in Scotland no solvent house is absolutely refused accommodation, nor indeed, *except in great crises*, will it be refused in London. The cause of the difference must be presently explained at large, more especially as here we find it impossible to admit that Professor Price rightly applies his own principles.

It has been seen that when through our indebtedness to the foreigner, or through our large lending to the foreigner, gold is sent abroad, those who send the gold have to draw out deposits, and more or less cripple their bankers. Prudence then commands the bankers to be very circumspect, to hold tighter and charge higher, and the merchant who wants accommodation is pinched by it. "Money" is proclaimed to be "scarce;" a short phrase, which means, that *men who have goods, but no deposits, find it hard to get permission to draw cheques; hard also to sell their bills, or get them endorsed.* (Professor Price vehemently denounces this use of the word Money. We are not sure that it is inaccurate. It means, "*such* media of exchange as will furnish *coin when wanted.*" At any rate Science cannot explode the phrase, but must carefully interpret it.) High discount goads Londoners into grumbling and moralizing and plentiful theorizing, concerning cause and effect, law and economy. They are not, just then, in a calm and philosophic mood: so the writer of a "City-article" addresses himself to the task of soothing their annoyance, flattering their prejudice, and perhaps reproducing in the columns of a newspaper the speculations which he heard from them in the morning. The departure of gold, being the phenomenon which *precedes* the "tightness" of the market, is proclaimed to be its *cause;* although it is no more the cause, than the fall in the barometer is the cause of a storm. To push the mercury up,

would not avert the storm.—We cannot undertake to gauge the wisdom of "practical men." Professor Price may have information more accurate than we can claim. Perhaps intellects muddled in detail do really believe that, *if only* the gold could be kept in England, bankers whose deposits are running very short would *not* be slower to lend than usual; would *not* raise their rate of discount; and would cheerfully run the risk of having to bring their private estates into the market. Did he not so often and so confidently allege, that this is the fixed clear unmistakable doctrine of City-articles, City merchants and bankers, we should have accepted their formula as a short *phrase*. That others have to pay a foreign debt is the ORIGIN of the high discount; the exportation of gold (or drain of gold, as it is then called) is a consequence and open symptom, upon and after which the pinch of the market is felt. When they deplore the outflow of gold, we should have understood them simply to deplore the fact that the balance of trade was against them. But perhaps, as we said, Professor Price knows better what they mean, and they do mistake effect for cause. That never since 1819 has there been any actual *deficiency* of gold, he declares with the utmost positiveness, and, we cannot doubt, with perfect truth. *The bullion dealers always have a store;* and he adds, that during the worst period of 1857 there never was less than twelve millions sterling lying idle in the Bank cellars. The lowering of the bankers' deposits is the specific cause of high discount, and of mercantile inconvenience. This cannot be *removed* by law: so far we agree with the Professor. But it can be *exasperated* by law: this he appears most unaccountably to forget, and practically to deny.

Through ordinary gales navigators work with more or less toil, but with general success. At intervals comes a storm of great severity, which puts to the utmost strain both their ship and their skill. They ride within six inches of death. By a slight momentum they are saved or sink. So is it with merchants and bankers. A little bad legislation, which in ordinary times is harmless, perhaps absolutely inoperative, may be guilty of frightful ruin at such times. *To talk of "averages" is not to the purpose.* A ship that can only bear "average" waves is sure to founder; what would be thought of a law which forbade the navigator to rig himself as for tempests? Crises occur in which not merely payment is to be made for goods received, but, what is far worse, for goods wholly lost. In 1857 the wild mismanagements in the far West of America made a crash of ruin in New York, and

suddenly impoverished numbers of English houses to which they were deeply in debt. What are men to do (to put an extreme case) who are suddenly deprived of the greater part of their *floating capital*, and have debts to pay?

There is evidently but one reply. If they have *fixed capital*, they must sell it, or raise money by mortgage upon it. When only one or two are thus distressed, sales may perhaps be made without very ruinous loss; but when the distress is general, to bid them to sell is like mockery. Who, in such times, among those who have free capital afloat, is likely to buy? So few, that the sale can only be effected at enormous loss; a loss such, as will probably entail total ruin a little later. Evidently the only reasonable advice, the only practical resource, is to mortgage. A mortgage may be drawn and executed in half a day or much less; a sale, with all its surveys, advertisings, preparations, and auction may take weeks. In a mercantile crisis, an hour is like a week. A house is dishonoured, which cannot pay on the day: and worst of all is the case of the banker. A man who has an estate worth £30,000 may perhaps induce a single creditor of £5,000 to accept a mortgage for it; but a banker owes a great variety of sums to a large number of persons, all of whom may come upon him at once, and all ask of him *current money*,—that is, notes or coin. He must mortgage *to one who can furnish him with notes or coin*. This is the cardinal point. The nature of his trade is such, that he cannot possibly have money enough to pay all his depositors at once, lend as cautiously as he may. His shop is like a powder-mill. It is safe, so long as its specific fire is kept aloof; but it may explode at a spark of distrust. And like an exploding store of powder his calamity is a calamity to hundreds or thousands wholly unconnected with him. Surely if ever the legislator ought to be careful not to aggravate a perilous disaster, this is the case. Scotland has gone with wonderful safety through all such times (p. 135); and with Scotland our legislation has never tampered. Is the connection of the two facts pure accident?

We thoroughly agree with Professor Price, that imprudence and gambling must expect their penalty, and law cannot avert them; nor do we at all say that law ought to *try* to avert them. Probably it could only avert them by damage to some one else. But, indisputably, unwise law may make bad worse; may spread calamity wider than it needs to spread, may forbid its kindly alleviation. Traders cannot be omniscient. With their utmost care, they must sometimes make grave mistakes, either as to the

distribution of their wares, or as to the persons whom they trust. They may be innocently drawn into a whirlpool by the infatuation of distant foreigners, or by the breaking out—yes, and also by the sudden termination—of a war. It must not be made a crime to try to aid them. Now if anything is clear both *a priori* and *a posteriori* in this matter, it is—that in every great and sudden destruction of floating capital, a large creation of paper or parchment documents, based upon valuable property, and making a new currency small and great, is instantly desirable. These documents constitute their *confession of indebtedness*. We do not know how to believe that Professor Price does not see this, or that he denies it; but if he saw it as we see it, and had it present to his mind, he could not write as he does. We fear that by his language he will make "practical men" raise a new outcry about the "hardheartedness" of political economists. When merchants or bill-brokers have property but not "money," to meet their engagements, or bankers are hard pressed by alarm rising among their depositors,—in the midst of a crisis which began by the exhaustion of bills on the foreigner, and by an outflow of gold,—he bids the distressed to go and "buy gold of the bullion-merchant;" after which, no doubt, they could get notes at the Bank for their bullion;—for we now speak of London. But the Professor does not explain *with what* they are to buy. With cheques? But at such a time cheques are probably exhausted or distrusted. With bills? If they happen to hold first-rate bills, these may be as good as notes; but bills which were excellent three days back, may be suspected to-day, and not negociable. With consols, in one place the Professor suggests; but instantly confesses that the holders of gold are not certain to accept consols in payment. He therefore bids the unfortunates to sell their consols *at any loss whatever*, and get . . . we do not distinctly know what, whether cheques or notes. As said above, to sell at a vast loss, may entail ruin a little later: but let us admit that it is a lucky thing for a debtor thus situated, if he happen to have consols, and can get for them such cheques as will bring him notes. Everybody has not consols. This is surely no crime. There are such things as lands and houses, tenements, shares in mills with machinery, or documents of interest periodically due for money lent to them. There is also such property as ships, mines, quarries, railway and dock shares, and shares in other companies innumerable. If a man has lost so much of his floating capital, that he cannot pay his debts, and he is in imminent danger of bankruptcy, is he to be *forbidden by law* from

raising money on such resources? One might think such a thing was impossible. Yet since 1844, the law of England *does* forbid it (wonderful to say), *if* the Bank has not a certain quantity of GOLD! This it is, which makes City-men sigh after gold as a great panacea. To them, we fear, Professor Price's rebukes and taunts at their puerility will seem to be heartless jibes. They find that the law of 1844 will not allow the man, who *has property* and urgently needs *money*, to get currency on the credit of that property, unless there is gold in the Bank: they therefore most naturally bewail the departure of the gold, and most justly condemn the law; for both of which our Professor unmercifully lashes them. Not that he supports that part of the law which they censure: he is far too clear-sighted: but he has strangely made up his mind that all who have been ruined *would* equally *have been* ruined, if the law had not been made. It is impossible either to prove, or to disprove this. Assertion is cheap on both sides. As well may you discuss, whether a ship caught in a gale *would have* sunk, *if* this or that. Our sole question is: What is the TENDENCY of the law? And here we must go back a little into the history of English banking.

While Scotch banking has always been free, and always good, English banking has never been free. First, in the interest of one bank in Threadneedle Street, and to the great damage of the public, the law forbad more than six partners to any other bank; deliberately planning to make all other English banks unsafe, lest any of them should compete with the one favoured bank. Next, it forbad to issue notes within sixty-five miles of London; which again was solely in the interest of this same bank. Thus it concentrated responsibility and pressure on a single firm, and made its errors (whether it erred in laxity or in tightness) more widely mischievous. Such a protégé was expected to be complaisant. Its bullion was taken out of its hand for the convenience of the government; and when, in consequence, it could not cash its notes, the Bank Restriction Act was passed in 1797, absolving the Bank from the duty of keeping its promises. In 1802, the directors desired to resume specie payment, but the King's ministers would not permit it. When the Bank was thus made permanently irresponsible, human nature could not resist the temptation to lend freely and enrich itself by discounts with but slight care of details. "Money" became very "cheap." Country banks were easily set up. The law forbad more than six partners. Plenty of them were necessarily very weak. Imprudence and speculation were ever on the increase; and—Professor

Price reproaches the English for not being as good bankers as the Scotch! The Scotch, forsooth (p. 128), "were good bankers, and kept their money; the English were bad bankers, and lost it." That, according to him, is the whole difference. If the law give a high premium to paper-boats, and the shores are strewn with wrecks, does the sight suggest no moral but the bad seamanship of Englishmen? Was it really English *blood* that was to blame, and not the bad English legislation? Highly as we esteem the Scotch, we do not think the difference of our temperaments and of our wisdom so vast. But it is utterly unfair to compare us with them, while we are so crippled with vicious law. No one (as we said at the beginning) is anywhere to be found, who approves the legislation of those days. In 1809, great disasters arose; and when by the peace of 1814 the seas were thrown open to foreigners, a mercantile hurricane afflicted England and Ireland.

In 1819-22 the great bank of Threadneedle Street returned to specie currency and convertible notes. Next, leave was given to have any number of partners in a bank; but unlimited liability was insisted on, while the holders of Bank Stock were favoured by exemption from such responsibility. In 1825 and 1837 destructive panics took place, but in neither was the Bank of England involved. Not only was there no run on it, but the public eagerly accepted its notes as equivalent to gold; indeed, in 1825, which was the severer of the two crises, its *one-pound* notes stilled the tumult, and saved the mercantile world. Evidently the only fault then imputable to the Bank was, *too much caution*, too great slowness to make advances.—It was a marvellous feat of logic, to deduce from such facts, that the Bank of England could not be trusted to issue notes at her discretion, though the risk was her own; and that, after an *arbitrary* figure was reached in her issues, she must not in future rescue falling houses, unless so many should first fall as to extort from the Ministry of the day a suspension of the law.

But such is the celebrated Act of 1844, which was devised, as is believed, by Lord Overstone, though Sir Robert Peel has the great responsibility for it. Professor Price's treatment of this Act is the weak part of his lectures. By all his principles he is bound to condemn it. It is condemned by all the greatest authorities. The *Westminster Review*, in a very vigorous and instructive article of 1858, gave in the list of its opponents Tooke and Newmarch, Thornton, Fullarton, Macleod, James Wilson, and J. Stuart Mill. This Act of 1844 turns the issue of notes into a purely mechanical operation, over which the directors of the Bank have no control

whatever; so that notes, like coin, are a Government currency. Moreover it fixed a maximum for the total issue of notes by existing private bankers, and forbad all issue by future banks.

Let us now see what is the natural and necessary *tendency* of the Act when a severe crisis arises. To test it, we have only to imagine a clearly possible case. Suppose that the Bank has already issued as many notes as the law allows, and that a great banking house, which has among its partners property worth a million, and holds deposits that cannot be claimed for six months worth two millions more, is subjected to a panic from depositors of a third million and finds its reserves of coin and notes running short. If it can get to day or to-morrow a single additional hundred thousand pounds, it may come out triumphant, still the waves, and to-morrow be in smooth water. If it cannot get it within a few hours it may be forced to suspend; and even if in another fortnight it discharge everything in full, that result cannot be foreseen by the public. Its suspension may so spread alarm, that a run follows on weaker houses, and many of them come down in a crash. Now, if any philosopher, seeing the contingency of such events, totally deprecate banking, and utterly censure the credit-system, we have great sympathy with such a view. It may be a very otiose admission (Prof. Price will not thank us for it), but we will admit:—*perhaps* it would have been better not to have bankers at all; or, again *perhaps* a time will come when we shall get rid of them. But if we are to have banking, and while we have it, we must guard against its explosiveness as we do against gunpowder. He would be a great fool who should enact, that if any one sees a train of fire, running towards a powder mill, he must not trample it out, but must go and tell the Queen's ministers of it. What else is it to enact, that in times of high mercantile danger, the directors of the bank shall have no control over the notes which they issue at their own risk, but if they please they are at liberty to petition the Ministry of the day to suspend the Act? Practically, the Bank of England will not take such a step until *after* great and avoidable calamities, nor without the concurrence of the London banks in general. Time must be lost, both in getting that concurrence and in securing a Cabinet consideration of the subject; thus days are wasted while hours are precious. For anything that the legislator could know, a banking-house may have estates worth ten millions sterling, yet be unable to get a hundred thousand pounds of notes and coin upon the credit of

its estates in three days' time, though not to have it in one day may bring it to the verge of ruin by a panic among depositors. We say, "it may be unable;" for when the bank *which alone is allowed to issue notes, is forbidden to issue notes*, the only chance with the distressed banker is, to go begging for the loan of notes from others who have laid them up for their own needs—beg for them at a time when every banker is trying to increase his reserves, and even great houses tremble for themselves. Is this a conjunction of affairs in which the great central Bank of England is likely to be imprudent? in which it cannot be trusted with its own interests? The Minister who added to his Act the clause which gives to the Ministry of the day the power to suspend the Act, betrays that he had no confidence in its good working; that *he knew it was wholly tentative*, as indeed it rests on no intelligible principle. It was first put to trial in 1847, when the nation had invested so inordinate a mass of *floating* capital in the *fixed* form of incipient railways, that "money" was painfully deficient. The gold in the Bank also flowing out, bankers began to increase their reserve of notes, and "accommodation" became difficult. After much agitation and much ruin the Act was suspended; the private bankers at once ceased to hoard the notes, and, *to every one's surprize, no more were wanted.* In 1857, in a similar storm, £800,000 of notes sufficed to still the elements. The smallness of the sum indicates how extremely unwise is a fixed and arbitrary restriction. It is like prescribing by law how to navigate a ship in a gale. A foot's breadth of canvas, more or less, may decide life or death. In 1866, when the mercantile ruin was caused by the flagitious mismanagement of two great houses, we may *now* well believe that *nothing* could have saved them. The Bank, when permitted to lend, declined to lend; so that no harm was done by suspending the Act, which was thus proved to be perfectly *needless.* On the other hand, it necessarily increased alarm and agitation, until it was suspended.

Every one who remembers the Anti-Corn-Law struggle knows how bitterly the Duke of Wellington's sliding scale of duties was resented. The fraud on the merchant who expected one duty and encountered another, was unbearable; and drove him to counter artifices and endless speculation. He warehoused his corn, and held it back in hope of a lower duty, and at last brought it into the market in mass; then down went the price, and up shot the duty, so that it was wittily said, the sliding scale would not slide, but only jump. On the other hand, if he had held too long, and a generally good harvest followed, he was utterly

ruined. The country was scandalised at a cargo of wheat being flung into the Thames by a despairing importer. Perhaps the very worst mischief caused by such artificial enactments, is the speculation about prices which they make inevitable. Professor Price justly ridicules the over-inquisitive anxiety with which merchants watch "the drain of gold," but this is the fruit of the law, which subjects ever-varying trade to an artificial formula, fixed by ingots of gold in the Bank cellars. As an acute writer summed up the events of 1857:

> The progressively increasing demand for accommodation was in great part due to the conviction that, in consequence of the Bank Act, there would shortly be no accommodation at all. Men who had bills coming due, saw that, by the time they were due, the Bank would discount only at higher rates, or *not at all;* they therefore decided to lay in beforehand the means of meeting these bills. The hoarding, thus induced, not only intensified pressure on the Bank, but took both gold and notes out of circulation. At last, as in 1793 and 1825, when it was understood that loans could be had, instantly loans were not wanted [for men ceased to hoard]. *The fact that the panic quickly subsided when the Act was suspended, denotes that the Act had in great measure produced it.*

City men, who are not sound economists, do yet discern that the Act causes speculation, speculation causes hoarding, hoarding causes deficient currency, alarm, more hoarding, and rising discount. They blame the Act, and their advocates in the press flatter and soothe them by talk which to Professor Price is flummery. But if he would undeceive them as to the nonsense, he must concede all that they have of good sense; and unite with them in condemning a restriction which was introduced wantonly, rests on no principle, contradicts both science and practice, is ordinarily quite inoperative, but the moment it wakes into activity, excites baneful hoarding, torments the merchant and the banker, and is wholly unknown, certainly undesired, in Scotland. From 1819 to 1844, the Bank, as Professor Price emphatically admits, went on very well without Lord Overstone's scheme. No one asked for it. Two men made it and imposed it. This vicious legislation is guilty of those speculative errors in City men, which Professor Price deplores, exposes, and rebukes.

He laments that after Adam Smith had, in appearance, thoroughly exploded that mercantile theory which ascribed to gold occult and special properties, and regarded it as the only wealth, the old error has stolen back upon City men: a fact which he regards as highly discouraging to science. But, since *when* has the error come back? We believe we are right in

saying, since 1847, when the pinch of the Act of 1844 was first felt. That Act treats gold as something exceptional. *It allows notes to be issued on the security of gold, and of nothing but gold.* It therefore recognises in gold, and practically affixes to it, an occult and special value. Men who do not look very deep into theory, but are forced to feel whatever the law imposes, value gold inordinately, because the law so values it. Let us repeat: Professor Price distinctly and emphatically declares, that so far as the Bank of England is concerned, the law was not wanted at all, and has been utterly useless. He also thoroughly approves the Scotch freedom, and refers with high general praise to the valuable paper of Mr. Charles Gairdner, of Glasgow, given in his "Appendices." Now, among the questions which the "Conseil supérieur du Commerce de France," has propounded to Mr. Gairdner, the 26th runs thus: "Is there advantage, or inconvenience, in separating the issue department from the discount department?" *Answer*, "There does not appear to be any sound principle to justify the separation in question; and the experience of its working by the Bank of England, has not proved it to be of any practical advantage; *but, on the contrary, it has created on many occasions serious complications.*"

We find it impossible to account for Professor Price's energetic refusal to admit what appears to us obviously and demonstrably to flow from his principles; but we see very clearly the one principle on which we part from him. It might be supercilious in us to say, he does not understand, but he certainly does not admit, that a large *destruction* of floating capital calls *legitimately* for a temporary increase in floating paper, in order to bridge over the time which must intervene before property can be sold in a fair market, and debts paid by fixed capital, if sale is ultimately essential. To be deeply mortgaged permanently, is an unhealthy position alike for a landowner or a millowner; but to be deeply mortgaged for a few months in order to avoid sale in a market where there are hardly any buyers, is certainly very reasonable. Besides, bills held by a firm may be suspected and unavailable to-day, yet may be found sound in another month. Until the worst is known, the vacuum must be filled by borrowing on property, not by selling it. Allusion was made above to the events of 1793. The Government offered in that year Exchequer bills to those who could give good security—a device as old as Tiberius Cæsar—and in the modern, as in the ancient case, it was successful in instantly stopping panic. Professor Price in one passage confesses that the sale of private estates cannot

be effected quickly enough to meet the needs of a panic.* He wants merchants and bankers to conduct their business *entirely* upon their floating capital. This they greatly prefer; immeasurably. No one likes to mortgage property. Ordinarily every trader looks to his unsold goods and his balances at the banker's, or his freely marketable bonds and bills, as his moving power. But if calamity swallows up a man's floating capital, then to forbid him to raise *currency* for the payment of his debts from his fixed capital of every kind, is not only an unintelligible cruelty and injustice to him, but it makes him a centre from which ruin spreads to others. The English law acts the part of "dog in the manger;" it will not give help itself, and will not let others give help; hence, in the agony of a crisis, a trader may be poor and perishing, for want of gold and notes, in spite of real affluence. The dread of getting into this position makes all shorten sail, when they see the approach of the cloud which threatens a squall. They summon in their debts, refuse to lend, and increase their store of those notes which before long may be unattainable. A law which holds over the market such a threat must certainly aggravate, and may sometimes cause, calamity. Professor Price (p. 173) astonishingly argues that two or three millions of notes out of forty can never be of importance one way or other. He records the fact that £800,000 sufficed to bring matters right in 1857 (p. 148), and says it proves nothing against him, because the sum is so trifling. He looks to the *ratio* which the "fluctuations" of the currency bear to the general mass! As well say, waves forty feet high cannot have overwhelmed a ship; for forty feet bears a small ratio to the depth of the Atlantic. As well say, a basinful of water cannot have extinguished a train of fire, and saved a powder-mill from explosion; for the quantity of inflamed powder, which it is pretended to have extinguished, was but the ten-thousandth part of that which the mill contained,—and after all, was only a basinful.

* Yet elsewhere (p. 79) he wonderfully says: "In the very worst, in 1847, in 1866, no banker who had salable property, and therefore (!) the means of *buying* sovereigns and notes, was, or could have been (!), under any difficulty to procure them."—We entirely protest against and disavow the Professor's delusive, gratuitous, and vexatious interchange of the words *buy* and *sell*. They are not at all identical, nor interchangeable. To change Sell into Buy, viciously assumes that a seller can *initiate* sale, whereas he cannot "order," he can but "offer," plead, advertise, tout or puff. The buyer is he who "orders." The buyer wants a definite commodity, the seller wants only some current medium of exchange The buyer presents that medium, which gives him the initiative.

It is proverbially the last straw that breaks the camel's back. Ten sovereigns in hand may at the close of a day save a great banking-house from the ignominy of suspending payment, and tranquillize the morrow's panic. Just because no one can foresee how great results a small deficiency may cause, therefore it is insanity in the legislature to enact a "hard and fast line," which neither rests nor can rest on any scientific reason. The "rule of thumb" from a very unscientific but experienced bank-manager is beyond measure preferable to a blind and dead Act of Parliament. It avails not to say,—as does our Professor vehemently and frequently,—that if the banks had issued notes, the public *would not have* retained them. How does he know that? How can he possibly prove it? What "would have been," *we* do not undertake to prove; though, when people hoard notes, they may retain them far longer than could have been conjectured. The additional £800,000 of 1857 *were* retained; and five millions in 1825. Moreover, such argument evades to notice,—which is the attested fact, and what might *a priori* be expected,—that dread of the operation of the law *causes* hoarding, *causes* the desire of more notes. Again, suppose for a moment that the ruin would have been just the same, even without the law; then one evil of the law is, that the imprudent can screen their imprudence by laying the blame on the law.—Bankers and merchants see, as well as feel, that the law, *so far as it does anything*, does precisely the opposite of what common sense requires. Every fact on record goes to prove that they are right; and they do not deserve to be put down as ignoramuses, even if many City men talk nonsense about the export of gold.

To sum up against Lord Overstone's arbitrary scheme. To have *too much* note-currency is well provided against while notes are convertible; to have *too little*, in a trading community, under our credit system, where rich men are great creditors and great debtors, means, in a crisis, undeserved ruin to thousands. How much is ENOUGH, no one can say abstractedly. In a country of chronic *distrust*, as Turkey or recent Spain, even coin is buried, and nothing is enough. In a spasm of distrust, a far larger currency than ordinary is needful. The law cannot possibly know how much is enough; for what is plentiful to-day, may be too little in half a year. The Act of 1844 has *presumed* that the fifteen millions which the Government happens to owe to the Bank, will be always enough note-currency for England. To call this presumption "ignorant" would be feeble language. "Fatuous" is rather the word; for there is no imaginable con-

nection between the accidental debt of the Government and the need of an industrious people for currency. The legislator fancies that he knows how much is enough; perhaps he does know the *average*. But to fix the supply immovably, is to provide that in a time of DISTRUST ruin shall be double or tenfold.

Has then the Act of 1844 no positive merit with Professor Price? It has. He tells us both what it has not done, and what it has done. He requests us to note the former well; therefore we extract his words, pp. 135-137:

> I believe that not a single person ever suffered loss in Scotland from the non-payment of bank-notes; and we know this to be true of the Bank of England at all times when its notes were convertible, and not forbidden to be paid in gold. *There never has existed any practical motive*, much less any practical necessity, *which called for a change* in the systems of Scotland and of the Bank of England. The Bank of England note, since the Bank Restriction Act was repealed, and payment on demand enforced by law, has enjoyed the most untainted reputation for solvency and credit. *The Act of* 1844 *has not rendered the Bank of England note* ONE WHIT *better or sounder or more deserving of circulation, than it was before that period.* It is very desirable to note the fact well.....The Act was designed as a remedy against drains [of gold]; *an absurd and impracticable scheme*.....[But] public opinion recognized that the paper-money issued by *these* [the country] banks did *not* fulfil the indispensable condition of solvency.....Bankers who conducted their business ill were manifestly unfit persons to be entrusted with the function of supplying public money.....The remedy came in 1844; and whatever else may be said of the Act then passed, it is certain that so long as it remains in force, *the special disasters of* 1825 *can never recur.*

The Act of 1844 has two different parts, either of which may be destroyed, and the other left. The former operates solely on the Bank of England, and not on the country banks. The latter operates solely on the country banks and not on the Bank of England. The former alone has been generally censured in London. It destroys the control of the Bank of England in every dangerous crisis over the issues for which it is responsible, enacts a sliding scale, and decrees the absolute supremacy of gold. Professor Price declares that nothing of this was wanted. Nevertheless he defends this *first* part of the Act by the *second* part, which has no logical connection with it whatever. The second part forbad *new* banks of issue, and limited the issues of those existing to the average of their recent circulation. This is surely a very lame defence of the first part of the Act. But neither have we any conviction that the Act deserves credit on the second head; and the topic is not immaterial.

In 1823 the infamous Congress of Verona sent the French armies to destroy the constitution of Spain, which had been framed by the nation with English sympathy and recognition,

when by our aid liberated from Napoleon I. Mr. Canning, then Foreign Secretary, was indignant in the extreme, but England alone could not act against Russia, Austria, Prussia and France. The Duke of Wellington was sent to Verona to protest; and, protest being vain, Canning "called a new world into existence" (according to his celebrated boast) "to redress the balance of the old." In short, he recognized the independence of the Spanish colonies, after stirring up President Monroe to pronounce the celebrated declaration, that if the European monarchies endeavoured to reconquer them, it would not be matter of unconcern to the American Republic. In consequence English merchants rushed headlong into the new markets of Mexico and other new States, formerly colonies of Spain, still half-formed, ill-governed, ill-organized. Without rightly knowing their wants, their roads, their means, or time to investigate their trustworthiness, shiploads of merchandise were poured in. The wonderful activity of trade in 1824-5, so delighted Mr. Robinson,* then Chancellor of the Exchequer, that his speeches earned for him the name, Prosperity Robinson. But as 1825 wore on, it became notorious that our goods had been flung away by millions. First merchants, then country banks, then London banks suffered ruin and panics. But *the cause of the ruin was not that the country bankers had issued too many notes, but that merchants had ignorantly and fatuously sent out too many goods.* Now Professor Price accepts with praise an Act which forbad in future *any* NEW English banks from issuing notes *at all*, and left the OLD banks which alone ostensibly could be blamed, to continue their issue! This also was nineteen years later, and after it had become lawful to have more than six partners. We can see no logical relations here at all.

Moreover, as far as we can understand, the rarity of panics that distress banks of issue has depended on quite a different cause, viz., the suppression of one-pound notes. A chief reason for suppressing them was, the facility which they gave to passing forged paper. But besides, poor and ignorant noteholders are most liable to panic, so that a bank issuing small notes is peculiarly exposed to a sudden run. Are we wrong in believing that this cause played a large part in the disasters of 1825, the bankers having been previously brought low by the reckless trading of the merchants?—On the whole, it does not appear to us that Professor Price makes out a case for either part of the Act of 1844.

* Afterwards Lord Goderich, finally Earl of Ripon.

We need not apologise for dwelling on this Act. It is *practically* a leading topic for Parliament. The sliding scale sleeps for ten years at a time; but no one can say when a new crisis will happen, which it may kindle to an explosion. We have, at length, a Prime Minister whose reputation in finance makes a reform of this Act morally possible. Neither Russell, nor Aberdeen, nor Derby, nor Palmerston would have had courage to overthrow Sir Robert Peel's financial work. Mr. Disraeli, indeed, has all the courage needful. We speak with respect for the point of view from which we think Sir Robert viewed the Act. His paramount object seems to us to have been, gradually to extinguish *all* private issue of notes; strip the Bank itself of their control; finally absorb bank-notes into strictly Royal notes, and make the Royal currency twofold—notes and coin. He could not do this at once; but he thought his successors would complete it. In the sliding scale, which is the peculiarly baneful part of the Act, he probably trusted to Lord Overstone's practical judgment.

If ever Mr. Gladstone take up this question, he will insist upon dealing with it by clear scientific principles, without which it is impossible for Parliament to reason about it, or know what is being done. Nothing *forces* the State to become our letter-carrier, nor to make our notes, nor, we may add, to make our coin. Merchants in Turkey sit loose to Turkish money, and make contracts in that of Spain or Austria, or in ducats of Venice, Holland, Russia. In old Rome individuals coined copper, and large payments of the State itself went on by Greek coin. Indeed those of us who are elderly can remember when copper coined by private firms circulated pretty freely in the market with the copper of George III. and George II. It is for the State to choose whether it will coin money or not, whether it will carry letters or not; but if it forbid individuals to do these things, then it is bound to execute the task well and *thoroughly* itself. So, it is not bound to furnish bank notes; but if it forbid private persons from this function, then it binds itself to do the work effectually, and make no arbitrary exceptions. There is here an obvious possible compromise. The Government might issue *gold* notes itself, and make them legal tender, leaving it open to others to issue notes based upon any or every form of property. Acceptance of the latter class of notes would of course be optional. A minimum might be imposed on them, as said above, to avoid forgeries and public distress. By gold notes we understand transferable notes, which attest that the holder is entitled to a certain sum of gold

coin *actually in store*. The inscription of them might run thus: "The bearer shall receive on demand [one hundred] gold sovereigns *reserved for his use* in the Royal Mint." The advantages of the paper money are twofold. The former is of very small comparative importance, viz., the saving of *interest* on the worth of the metal, when we employ paper to do the work of gold. Secondly, what is of more value, besides saving of wear to the gold, the paper is lighter, easier to carry or transmit, easier to conceal, easier also to trace if stolen. The second class of advantages are retained by gold notes, the former only is sacrificed. If a million's worth of such notes were current, it would be instructive in every crisis to observe whether they ever fetched a premium over those of the Bank. The experience of this century seems to assure us that they would not. If to have one million, or even twenty millions of gold sovereigns in store conduces to safety and dignity, we see no cause to moan, like a usurer, over the loss of the interest of the gold,—perhaps 6d. a head per annum on our whole population. What is wealth for, if not to maintain safety and dignity? Sir Robert Peel moved in this direction in his celebrated Act. So far, we do not venture to disapprove; but even if the State restrict its own notes to a *gold* basis, it must not forbid others from issuing notes (say of ten pounds or twenty pounds and upwards) upon the basis of *all* tangible property. Then distressed traders, who had property not instantly marketable, would get "accommodation." But at present we do not know what the State consciously undertakes. By forbidding new banking houses, however strong, to issue notes, it seems to take that function entirely for its own. Again; it has *made the Bank of England Notes ordinary legal tender*, as though it were State money; yet it is not State money, for the State does not guarantee it, and the Bank is at last bound to cash it. Bullion must be kept for all issues *above* 14 or 15 millions. Why this limit? It is meant to be scientific, but *it has no tendency to secure payment on demand*. The sum in question is said to be the Government debt to the Bank; but *if* there were to be a universal run on the Bank for *gold*, those who needed the gold would insist on having it instantly. The ultimate responsibility of the Government would not save the Bank from bankruptcy. The whole is a chaos. It is not scientific, nor yet is it practical. It neither attempts to estimate, as bank directors do, what reserve of gold *suffices* (which must vary from time to time); nor yet does it, like gold notes, honestly keep in store the representative of every note issued. How can a Parliament reason and compare opinions when there is no basis proposed to reason upon?

An Act without a basis is a mere EDICT from a powerful minister, carried by the force of his character and of his majority.

In Hungary, where many who are rich in land are deficient in marketable capital, it was attested by Kossuth that a land-bank was found very useful. If the English law did not interfere, who shall say that a great bank might not arise, supplementary to what we must call a Government Bank, and advance a new paper currency to those who could give security in any sort of property? If this paper were payable in cash and Bank of England notes, not on demand, but at seven days' sight, and the larger sums (say five hundred pounds and upwards) at a month's sight; such currency would, if perfectly honest, satisfy those depositors in common banks, who in a crisis withdraw their funds through terror: thus the present bank-notes (payable on demand and legal tender), would be economised. That the law should *a priori* forbid such possible developments, appears to be infatuation. Certainly its prohibitions impose upon it grave duties, which it now neglects. But to find any principle in the present combination of the Government with a private banking establishment, is impossible.

Professor Price remarks on an error of generalizing into which even Mr. J. Stuart Mill has fallen, in saying that the "Money" in the market is equivalent to the goods in the market. The proposition is evidently indefensible, even if money include cheques and bills. Professor Price gives useful prominence to the strangely neglected fact, that coin and bank-notes are by far the least used of all the media of exchange. To the market of the world they are what cash in the pocket is to one's quarterly income: hence Professor Price calls them the "small change" of the market. The vast mass of payments is made by cheques for the home trade, bills for the foreign trade. The London Clearing House alone, week by week, cancels cheques amounting to several millions sterling. As a telling fact, Sir John Lubbock's analysis of nineteen millions sterling, paid into his bank, is adduced. It consists of £18,395,000 in bills and cheques, £487,000 in bank-notes, only £118,000 in coin: that is about £2 11s. 3d. per cent. in bank-notes, and 12s. 5d. *per cent.* in coin. Justly may this be called the small change. But although this is the normal state, in which coin pays an ultimate balance only, yet in panic the cheques and bills have no sure basis; and no argument can be drawn from this interesting fact in disparagement of the necessity of such a note currency as can expand, if requisite, and forestall or instantly allay needless panic.

We do not wholly go along with Professor Price as to inconvertible notes. Perhaps in haste and inadvertence, he omits to notice (at least we cannot find any notice) that their inability to pay foreign debts is an *essential* cause of depreciation to them, whether they are few or many: hence *no proof of their being "in excess" can be founded on the fact of depreciation.* We have very much to say here, but our limits forbid. The terrible mischief is the extreme difficulty of going back to specie payment, when the issue has been large. Whether notice be given or not given, the evils are great. If the depreciation is considerable, it is impossible to hinder speculation and hoardings, unless the return to specie payment be very sudden; which implies a large mass of gold already in hand. Our transatlantic brethren have yet to show us another great example of skill and energy; and we trust, under their new and vigorous President, Southern *peace* will be at last established, Southern industry revive, and large armies become needless: after which they will not long leave their currency in disorder.

ENGLISH LANDED TENURE.

[From the Weston Mercury and Somersetshire Herald, Oct. 1875.]

I need hardly insist, for we shall all admit, that there is a law of morals higher than any national law. The thought pervades the Jewish and Christian Scriptures. It was discerned and enunciated by the Greek tragedians and philosophers. When any modern divine, like the eloquent Hooker, glorifies law, he means that law which dwells in the bosom of God—a law to which human morals do but aspire—a law towards which all patriots ought sedulously to guide the national institutions. Why national institutions are apt to deviate disastrously from moral right, is evident — namely, because they are generally founded on conquest, and established at the will and for the interest of the conquerors, by sheer violence, and with no aim at all at justice. Yet when they have endured for several generations, the classes in ascendency regard their own position as natural and reasonable; moreover, the depressed classes, being born in depression, themselves are unaware of their natural rights, and suppose that their condition, even if it be full slavery, is a law not of their lords only, but of Nature and God. To this opinion, both in conquerors and conquered, two sets of literary men generally contribute—lawyers and priests. Lawyers are not called upon to determine what laws are intrinsically just, but to expound the laws which exist; nothing, to their profession, is higher than the law of the land, and they are trained to regard what has long existed as sacred. Priests, having generally been incorporated with the State, generally side with the powerful, and give them additional moral strength.

The case of slavery instructively illustrates the topic which I have to treat this evening. Slavery, as it recently existed in the American Union, may rightly be held up to our imagination as an eminent type, because its fundamental idea was there logically and ruthlessly worked out. Force and fraud had first kidnapped a man, and next sold him. The buyer regarded the captive as property lawfully acquired, and the local law gave solemn sanction to the process. The human chattel was called a slave. After a long time, any further importation of slaves

from without was forbidden by the central power; but the local States decreed that the chattels were cattle, and the progeny of cattle followed the parent; compliant lawyers declared that the central power had no right to overrule these local codes. Well-meaning rich men grew up from childhood in the sincere belief that their slaves were their property, because the local law pronounced them to be so; and if a price had actually been given for a slave, it seemed to the buyer proof incontrovertible that the slave was his just possession. That a man, by his very nature, cannot become the property of a man, and that a slave has his human rights indefeasible as those of his master, were thoughts which seem to have occurred to very few, or, if they did flash across the mind, they were soon set at rest by the delusive sophistry of lawyers and divines. Even the celebrated Webster, aspiring to the Presidency and touting for the votes of the South, spoke with inflammatory invective against the idea that any law could be higher than that of the State. Conquerors, in old days, seized both the land and the people upon it as their property; and though a long series of events, differing in different countries, has enabled the people to extricate itself from formal and avowed slavery or serfdom, the landlords have often, for centuries after, kept a firm hold of the land. The actual cultivator of a piece of land has, of course, *natural* rights, not in the crop only, but in the land itself, greater than those of any other man; yet, even if he found it wild and reclaimed it, the fact does not make it *his*, in the sense in which a garment or a stick may be his. The State, representing the collective nation, is the only natural proprietor of land—at least, if we except the first reclaimer. Yet even he must give it up at the demand of the State, if reasonably indemnified according to the award of a jury. On this account, English law, and all law of the civilized or uncivilized, has put a wide chasm between landed *possessions* and moveable *property*. The former ought not to be called *property* at all; but the same perversion of moral right, which has transformed landlords into landowners, has also transformed *possession* (which in Latin means *occupation*) into property. No occupier ought to be arbitrarily ejected, or without compensation; but that does not make him a proprietor or owner. Only those things are our own —our property—in which no one else has a right; which therefore, without injuring others, we may destroy. If I have a book or a hat, and burn it, I may be deemed a fool; but no one can say that I have injured him: this is a test that the book or the hat is strictly my own. The time will come when no unique and

valuable article will be accounted by law a private property. If I had a MS. of Æschylus or of Cicero, and it were the only one extant, I might legally burn it, as the law now stands. Yet this would aggrieve, and in some sense impoverish, all scholars ; and if there were danger of such a thing, every unique article might well be claimed as State property, with indemnity to the holder. The abundance or scarcity of articles often determines whether even moveables can morally, and therefore legally, be allowed to be in private ownership. In the backwoods of America, where wheat abounds, but carriage to distant parts is arduous, wheat may not only be given to swine, but may be, and sometimes is, used as fuel. Yet in a besieged city, the wheat might justly be seized by the authorities, who would pay to its holder, not a famine price, but the ordinary price before the siege. Thus, from having been in private ownership, it would suddenly become public property, from the mere fact that it was necessary to human life, and it had become scarce. The same is obviously true of water. At present we waste as much as we please ; but if from the season or from the operations of an enemy, the supply ran terribly short, all the wells and water-courses would be claimed by the State—would be (in the inflammatory dialect of some landlords) *confiscated*—without a moment's hesitation.

Now, while we must admit that by nature the reclaimer of wild land, also he who has continuously occupied fields, whether for pasture or for crops, has a peculiar right in such fields, even prior to municipal law, this evidently cannot apply to waste land, nor ornamental land, nor to more than one man can cultivate. When a scanty population is scattered over a vast country, no one grudges to a cultivator, or to an inhabitant, even an unreasonably large pleasure-garden, provided he do not place it along a valuable river-side, or where it blocks up a road. But where a population so multiplies, that thousands who covet land cannot get it at all, and in consequence, chronic pauperism becomes a national curse, the law is immoral which sanctions individuals in keeping land wild, and occupying wide spaces with private parks, or even forbidding crops which are three times or seven times more profitable than mere grass. While one man wants land for food, and the public markets also need more food from the land, no private person can have a natural right to keep masses of land for ornament or for his personal pleasure. Of course, every Englishman who does this is able to say as the slaveholder says, "the law permits me;" and numbers can say as a slaveowner might say, *I bought* my property *legally;* but morality and common sense reply,

"then the law is unrighteous." Moreover, when it is further inquired, "Who enacted the law?" History answers, "A landlord Parliament enacted it in the private interest of landlords." Nay, to take a closer historical view, history avows: Before the reign of Henry VIII. tenants could not be ejected by landlords while they paid all their legal dues. They had as firm a tenure of the soil as the landlords themselves. The landlords were not and did not call themselves landowners, for it was notorious that others beside them had rights in the soil; nor did they dream of hoisting up rents by competition. But in the reign of Henry VIII. they claimed to eject tenants at their will: great agrarian commotions followed, and, after a series of bloody local contests, England was conquered a second time, not by the king, but by the great lords. Parliament, in which they ruled, took no action against their proceeding; and, I have been told, overruled a Royal Commission which at first censured ejection: so the modern system of landownership, founded on conquest, has been nailed upon us; thence came able-bodied pauperism, which has bestridden this nation like an avenging demon. The system can only be defended by the same arguments which defended slavery; namely, superior force and long custom: and since it is now in Europe peculiar to England, or almost so, it is sure, like slavery, to be overthrown by violent convulsion, unless the wisdom of the middle classes and the firm votes of poorer men in our towns enforce some legal change. In France it was overthrown by a frightful revolution; in Prussia, Poland, Austria, and Russia, it has been subverted by the firm policy of princes; in Hungary by that of the Diet.

Elsewhere, laws like to our landlaws never were in force. We have permitted them, with very pernicious result, in our West Indian Colonies. Our Parliament has enforced them on the Highland Scotch, continental and insular, and on conquered Ireland: so that now they are the peculiar disgrace of the British Islands, as of late slavery was the peculiar disgrace of the American Union. Landlords have assumed, by aid and under the mask of Parliament, a power which none of our kings, ever since Henry I. promised to restore the laws of Edward the Confessor, have dared to claim for themselves. The tyrannical conqueror did indeed clear out the population from the New Forest, and earned the curse both of his own time and of all after ages. Yet landlords now think that to do the same thing is their natural and reasonable right, and somehow have got the law on their side. A king cannot drive his subjects into the sea: but the Baron, who was merely the king's deputy, claims a power

which no king could claim, that of unpeopling his estate. Men have an earlier right to multiply on the soil than any baron or king to have a single useless rood of ground. The fundamental idea of rent has been obscured and forgotten. Rent, when paid upon unimproved land, is the fee or tax paid to the Chieftain, Prince, or State, which protects the tenant from intruders and violence. While the baron, as the king's representative, did this by his private court, he was entitled to the rent. Now that the baron, baronet, or squire does nothing of the kind, but the King's, Queen's, or National Court alone protects the cultivator, the National Exchequer ought to receive the rent. Only for buildings, fences, or unexhausted improvements, has a private person any moral right to rent, unless exception be made for one to whom Parliament makes over public funds in requital of public services. But, again, to alienate public funds *in perpetuity* is surely unjustifiable. The rent so called is now a complex idea, since landlords receive at once public dues, the profit on what they themselves have invested in or on the soil with permanent benefit to cultivators, and *the profit on all the improvements effected by past tenants.* Yet, having often bought the land at a fancy price, the rent (they say) brings them a miserable percentage. They perhaps buy to get political power, not income; others get higher rent by driving men out and letting their land as shooting ground. Some political economists speak of peasants as of vermin. The phrase, "a warren of paupers," has become current. This reminds me that Game Laws, passed by a Landlord Parliament, have been added—to the vexation of farmers and to the demoralization of the peasants. The rabbits were estimated at ninety-five millions in a recent Game Laws Committee, and troops of deer which, when hungry, will leap over any possible fence, are a formidable deterrent of cultivation in several tracts of Scotland. In discussing this subject, it is not pertinent to speak of the virtues and charities of many *land*lords. No one, not Mrs. Beecher Stowe, supposed a Legree to be a common character among them: but the crying iniquity was in the law, which allowed to one man such power over other men. Many noblemen among ourselves are too high-minded to raise their tenants' rents. Such tenants feel themselves well off, but they know that by a single word their rents may be largely increased, and, that if they gave displeasure to the great lord, they might be ejected at the year's end—hence they are morally and mentally enslaved, and they learn from generation to generation to play the part of obedient courtiers to a prince. The peasants also are made virtual serfs by the fact

that their cottages are the property of the landlord or even of the immediate farmer. It recently appeared that they could be ejected at a week's notice by a farmer whose wage they declined as too small. To get a new cottage is often impossible, especially since it is sometimes the policy of landlords to destroy cottages—hence a new misery, that peasants live three, four, and five miles from their work, and have to walk from home and to home morning and evening a weary distance. Religious animosities are added. When the Free Church of Scotland arose, it was a common case that they had to worship on some moor, because landlords refused a site for building a chapel. I have known the same thing in Devonshire. It is attested that landowners, female as well as male, have suddenly ejected a farmer on learning that he was a Dissenter. Few *do* this, but the law gives them *the power*, and it is the law which I attack, just as in the case of slavery.

In every doubtful case of law local justices are generally landowners or clergymen. A clerical justice very recently sent a little girl to jail for picking a flower. Happily this was reversed by the Home Secretary, but it is seldom that harsh sentences can have softening from this higher official. Nor again is it pertinent to this discussion to dwell on the vices of peasants, except as illustrating how sadly the law demoralizes them. Under the influence of drink we know how brutally savage they can be, but to omit this topic, I will say that I myself believe the complaint that except under the eye of the employer they are disgracefully idle. In the discussions which preceded the abolition of the old Poor Law, it was fully proved that the system of paying wages partly out of the Poor Rates had weakened family affection, and accustomed parents to expect the State to feed their children, and able-bodied sons to expect the State to feed their aged parents. The same evil still exists, though less extensively and less virulently. Statesmen have not yet opened their eyes to the fact, that Poor Laws, which calculate on *chronic pauperism*, are a proof that the national institutions are fundamentally unjust. The difficulty of a legal remedy turns principally on the fact that more than ever is Parliament composed of rich men; and most men who become rich, whether as lawyers, as merchants, or as manufacturers, either are or mean to be buyers of land and sympathize with landlords. Until the country at large is fully convinced of the injustice, the inexpediency, and danger of our present state, no legal remedy can have much chance of being adopted. All change would be superficial and very partial in

result. Our farmers and laborers cannot be succoured against our aristocracy by a despotic king, as in several great countries of Europe. Nevertheless, some ray of hope comes in from the difficulty which the Government more than ever feels in obtaining soldiers and sailors. The old Roman peasants used to contend against the aristocracy who usurped the soil, partly by refusing to enlist in the army, and in extreme cases by threatening secession—that is, collective emigration. Our landlords whose ancient duty was to keep a military population for the king, have for sixty and seventy years dared to adopt the policy of emptying their estates. Already there is everywhere a dearth of laborers and a severe difficulty in getting soldiers. Ten years ago it was said that in time of peace we need ten thousand men to fill up the gaps of our Indian army. This frightful system I, for one, have no desire to continue; but apparently ministers will try to continue it, and as the horseleech cries "Give, give!" so will they (virtually and unconsciously) cry "Give us five, six thousand more men to rot in our Indian barracks!" They cannot in the face of an armed Europe, acquiesce in the depopulation of the rural districts; and from this quarter, I feel assured, that some aid will come to Land Tenure Reformers. Another yet more valuable aid may be hoped from our Indian Statesmen, who in general approve of Indian doctrines concerning Land Tenure, intensely opposed to those of England. Lord Napier and Ettrick astonished many of his hearers two years ago, when discoursing of Land Tenure as President of the Social Science Association. However Indian practices and law may differ in different Presidencies, they have in common the basis, that land is essentially *public* property, whether of villages or towns, or of an entire State, represented by the Sovereign power. The zemindâr or landholder, was treated by Lord Cornwallis nearly as if he had been a modern English landlord; but he is in theory an agent and servant of the State, just as was the old English Baron, who had political duties and received his customary dues or rents as a political salary. Our landlord parliaments have voted themselves free of the duties, almost entirely free of payments, to the Crown, while voting to themselves larger powers and revenues than they had under our warlike kings. The Indian Statesmen can comment on all this with a freedom and power not to be used by other men, without losing caste and influence. But if I be asked to suggest what I think to be the mildest and most hopeful political remedies for a disease which has eaten into our vitals for two full centuries (that is, ever since Parliament

became omnipotent) I should propose to begin by mere Votes of the house, and declaratory law, as distinct from new Acts of Parliament. By declaratory law, it has been remarked, the liberties of England were saved from her Stuart kings. A vote is not a law; it does not bind the judges; it does not need the concurrence of the Lords; it has a moral force on the nation and on the House itself, and when a long series of transition is employed to avoid the severity of a sudden revolution, it serves to give continuity and consistency to legislation. The votes which I desire are chiefly four—the former being borrowed from the old Romans when suffering from the same cause. I.—It is against the public interest that any individual should possess more than 1,000 acres of rural land in these limited islands; and it is desirable in the future vehemently to discourage larger possessions. II.—The land on which towns stand, ought as far as possible to be made the property of towns; and also all the surrounding land to a distance commensurate to the magnitude of the town (of course present holders must be indemnified). III.—Density in a town population is against the public health and welfare. A tariff should be enacted limiting the population on every acre, and early measures be devised for colonizing the empty country from the huge towns and cities. IV.—It is essential to the public welfare to multiply to the utmost the proportion of actual cultivators or farmers who have a firm tenure of the soil by paying a quit rent to the State; and with a view to this, the fixed policy of Parliament and the Government ought to be, to increase the public land on every opportunity by every just and reasonable means, with the view of recovering into the management of the State all the great masses of the national land for the service and freedom of the nation.—If ever such votes are passed by Parliament, as a basis of principle for after measures, it will not be difficult to lift up our degraded peasants, to fill the town markets and make English soil the safe receptacle of overflowing English capital, without pressing hard on those who innocently inherit, or have purchased, an unrightful position.

THE CAPITALIST IN SOCIETY.

[Reprinted from "Frazer's Magazine," December, 1875.]*

Those who call themselves co-operators in general dissuade strikes against masters, and with more or less of rightfulness endeavour to establish for themselves a separate position from that of the existing Trades' Unions. Whenever they are engaged in working together in an undertaking of which all the capital has been furnished by the workers themselves, they are the capitalists; then they have a right to all the profits, and no one will cavil against any division which it pleases them all to make. If they could succeed in business by paying equally to the skilled and the unskilled, to the idle and the industrious, we might wonder, but we should not think it our part to dictate how they should distribute their own gains. So too, if they choose to distribute any portion of profits as a bonus to workmen who have contributed no capital, and they find this to pay them, then again, whether the number of capitalists be many or few, it is only their own concern. It is this last system of which Mr. G. J. Holyoake has long been an enthusiastic advocate; and so long as the workers who contribute no capital make no claim to control the management of the concern, the position is open to no *primâ facie* objection. This also is probably the compromise, on which the real friends of the artizans and miners look with the greatest hope. By conceding to the hand-workers, besides a fixed payment called wages, an extra payment contingent upon the prosperity of the business, it gives to them a direct interest in extraordinary industry, and promotes among them a corporate spirit which frowns upon indolence and dishonest evasion of work. The tendency therefore is to reimburse the capitalist for his sacrifice, and to give to the public good and sound articles. If such a system can be made prevalent, it will be far better than that which has grown up in the past; in which *piece-work* was

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* *History of Co-operation in England, its Literature and its Advocates.* By George Jacob Holyoake. Vol. I. The Pioneer Period, 1812 to 1844. Trübner and Co., 57 and 59, Ludgate Hill. 1875.

the only task that remunerated the workman in direct proportion to his industry. The Trades' Unionists, with their usual infelicity, are generally hostile to piece-work, and inveigh against it as taking the utmost out of the workmen.

Mr. Holyoake energetically sums up, as follows, the advantages of the mixed system, on which he tries to fix the name Co-operation, p. 5:

> It proposes that in all *new* combinations of labor-lender and capital-lender, the produce of profits shall be distributed *in agreed proportion* over all engaged in creating the profits. It means concert for the diffusion of wealth: it leaves nobody out who helps to produce it. . . . It touches no man's fortune: it seeks no plunder: it causes no disturbance in society: it gives no trouble to statesmen: it enters into no secret associations: it needs no Trades' Union to protect its interests: it contemplates no violence: it subverts no order: it envies no dignity: it keeps no terms with the idle, and it will break no faith with the industrious.

Nevertheless, while Mr. Holyoake denies the scheme of seizing and dividing other people's property to be a process of Communism (which he desires to identify with Co-operation); while he acknowledges that among barbarians who have no capitalists the misery of the poor is more extreme than among us; he yet unawares lays a foundation for *that* Communism which would plunder capitalists, by the arguments and harsh assertions which he uses against our existing trade system. So again, his warm defence of the fanatical Gustave Babeuf, who had a frightful scheme of murder and rapine with the aim of establishing Liberty (!) and Equality, requires such a denial of private rights in property as, if correct, would justify plundering the rich. In his youthful days Mr. Holyoake's susceptible heart was carried by the miseries of the ignorant, helpless, and often vicious poor, into an intense indignation against all dominant institutions. Time, experience, thought, knowledge have added to him much wisdom. By his sympathy with the poor he has been enabled very beneficially to soften his fellows, and infuse into them wider and juster thoughts; yet he retains, it seems, unawares and inconsistently, some elements of his original limitation, which indeed are more widely spread among workmen, and are the nucleus of pernicious error to the Trades' Unions. Inasmuch as the same are too often uttered as axioms by some men of education, I must first notice these.

One is often expressed by saying "there are only *three* ways of getting property: you must either *earn* it, *beg* it, or *steal* it." Shall we say that those who utter this axiom entirely forget that it is possible to *inherit* property? It may be feared that it is not

always forgetfulness, but a deliberate intention to deny the right of a man to live on his father's accumulations. Mr. Holyoake approvingly says, that, according to Babeuf and his fellows in conspiracy,

> There were to be NO IDLERS. Nature they said, imposed upon everyone the obligation to work. They *kept no terms* (!) with those who did nothing. Their words were: "They do nothing for the country who do not serve it by some *useful* occupation; they *can exercise no rights in it.*" The common accusation is, that men of social convictions seek other people's property; whereas, *the fact is, they seek to make everybody work.* This may be a very disagreeable passion; but it is not laziness, NOR IS IT PLUNDER.—*Holyoake*, p. 40.

Indeed! is it not plunder? Suppose that I begin industry from early boyhood, am very self-denying, very sagacious in my ways, whatever they may be, of serving other men, and receive from them ample rewards freely bestowed, so that by the time I reach the age of forty, I am rich enough to live on my gains to the end of my life. Have not I a right to be idle? With what reason can any Babeuf come up to me, and say, "Sir! (by the force of my dagger) I bid you to do something useful to society: I will not permit you to be lazy." He overlooks the fact that I *have* worked in the past: I have done that which other men thought to deserve a price. No doubt, my work may have been something which Babeuf thinks *useless;* I may have earned my fortune by singing or dancing; but unless there has been fraud or violence, I have a right to be idle, (or what he calls idle), so far as he and other men are concerned: that is *they* have no right to call me to account. Is it not *plunder* if he take my property to distribute, and bid me to work? But suppose, that instead of a lady earning her own fortune, her father earned it, by high talents, life-long labors, immense services to society, and was pleased to bequeath all his accumulations to her. Obviously it is a *moral* truth, that she is degraded by real idleness, and is likely to suffer physically and mentally from *ennui*, if she have no better object to live for than ignoble ease: but this does not at once make it a *political* truth, that the State ought to set her to work, even if a Babeuf were lifted into the Presidency of a Provisionary Government. Perhaps Lycurgus would regard a painter or sculptor as an idle fellow, and condemn a Huygens for watching "swing-swangs" (pendulums), a Newton for blowing soap-bubbles. Leisure is the prime necessity for the study of Art or Science; and leisure to the ruder man appears to be idleness. To Zethus an Amphion is essentially a worthless citizen, whom he will "exploit" as a slave, if he can get the upper hand. Mr. Holyoake appeals to Lycurgus, and to Plato's *Republic*, for justification of State-

Socialism; apparently unaware that Plato has only damaged his own reputation as a practical thinker by so unnatural, impure, and cruel a slavery as his *Republic* recommends. It is difficult to lay down the limits of State-power; for in extreme cases our toil and our lives, as well as our property, may be demanded for the public safety: but it is clear that Private Property is earlier than the State; so is the Family. It belongs to the law to regulate and maintain, not to annihilate, as Plato does, the rights of Property and of the Family, which are the basis of the State. The right of giving that which is ours, or indeed of bequeathing it, is not the creation of Society; the utmost that social law may do is to define on what conditions it will enforce a bequest and protect property. If the laws do not mischievously tie up inheritances, nowhere is there danger of a nation suffering through bequests of industrious fathers to idle sons. Everywhere we need for public service men who can afford to serve either freely or without making a trade of it; honour to such industry, with the moral reprobation which falls upon idleness, and a legal discouragement of gambling and drinking, is the natural and mild preventive of evil. But to refuse a *legal right* of idleness to him who blamelessly inherits property, is to cut the sinews of all mental progress. Lycurgus, with that stupid and very pernicious Sparta founded on his laws, ought surely to be accounted a beacon of warning, not a goal to attract. *Right of Private Property* is essentially denied by those who inveigh (not morally only, but politically) against "the idle rich." Yet such declaimers have generally a keen sense of their own right to their own property.

Of course we know what makes their declamation plausible. It is bad laws of *land* and unjust taxation. These existed, in a hatefully pernicious form, in France before the great Revolution, and are an excuse for its worst excesses; but are no reason why we who are tranquil should scowl at wealth innocently earned or justly inherited, and deny that it entails a political right to purchase the means of life and ease without additional labor for the community. The moral duty to use every high power for some good purpose remains in full force. A man of peculiar talents ought to use his talents for some benefit to others; but to punish him if he does not is to make him a slave: so is it to punish a rich man for idleness. Any such laws must set the axe to the root of genius and noble accomplishment, as well as lessen industry by depreciating wealth. It is strictly necessary for the integrity of private property that we frankly avow the political *right* of a rich man to be idle.

A second noxious falsehood is expressed in several kindred phrases: "the brute force of capital," "the tyranny of profits maintained *by force*"(!) (*Holyoake*, p. 3), "the tyranny of competition."

The capitalist was a new feudal lord, *as selfish, as capricious, and more cruel, than the king who reigned by conquest.* The feudal lord had some care for his vassal, and provided him with some sustenance and dwelling: the new lord of capital charged himself with no duty of the kind, and *did not even acknowledge the laborer's right to live.* His condition was his affair not his employer's. Thoughtfulness for the workman might be manifested as an act of *patronage*, but not as an act of duty.—*Holyoake*, p. 18.

While men so intelligent and so gentle as Mr. Holyoake write in this style, and lay down for a capitalist theoretical duties which in fact can only belong to him when certain conditions are added—conditions which are fiercely rejected by the workmen,—so long, it is to be feared, the Trades' Unions will carry on a bitter and baneful war with capitalists, to their mutual suffering. Of course we know and admit that mere local contact tends to form a moral relation. To pass a beggar at a gate every day, though he vex one by his needless service of opening the gate and then begging, does create a moral relationship, however little agreeable; and if the man be disabled for work, extracts from one many a small kindness; but if he demanded it as a right, we should regard him as a highway robber. Just so, if I hire the same pony-chaise every day, I become morally interested in the driver; and, though I pay the full hire, cannot reject an appeal for kindness if some calamity befall him; but if he were to say, with Mr. Holyoake, "Do not give to me as an act of *patronage:* I claim it as *due* to me for my services, that you will acknowledge *my right to live*,"—many charitable persons might think it necessary to resist on principle a claim thus pressed. Now, while the workman at a mill insists on making his union with the master as temporary as he can—refusing a term of a year or a half-year, and limiting it to a week—his position towards his employer is like that of a cab-driver to a passenger. The passenger acquits his duty to the driver by simply paying his fare. If the workman complained that his services were *not* engaged by the year, and that the master insisted on the right of dismissing him into destitution at any moment, with that complaint one would sympathize: but when he refuses a long contract, for the notorious reason that it would hinder his joining a strike, he has no permanent relation to his master; no relation nearer than that which he has with anyone else in the same town or village. From them all he has a human claim of mercy and

kindness in distress, which (it seems) workmen scorn as "patronage;" from none of them has he a mercantile claim for such kindness. If he say to them, "Relieve me, not as an act of patronage, but of duty," it would stir up just offence, and with most persons would lessen the disposition to aid him.

Mr. Holyoake (and, we may presume, nearly all who speak bitterly against employers in the abstract) utterly mistakes in collating a capitalist with a king who reigns by conquest. The king forcibly exacts taxes, services, and honour; he acts the part of a mere brigand, and has no moral position at all, until he gives *protection*, as the equivalent of loyal obedience. The capitalist does nothing by force at all, but receives a free promise of service, and guarantees a wage as the equivalent. When he has paid the wage, the workman has received the *full* equivalent, exactly as when one buys an article at a shop and pays the price. Mr. Holyoake claims of the capitalist an indefinite recompense beyond that which has been stipulated, viz. what he calls "a right to live;" which he dares to pretend that capitalists deny. They merely deny that it is more *their* duty than that of every other inhabitant of the same place to look to it that the workmen do not starve, or have wholesome dwellings. If the workman were really the employer's "vassal," if the employer could dictate to him *how* to live, *where* to dwell, or even forbid his consumption of wasteful pernicious drink, and count on his *permanent* service, the whole relation would be revolutionized. Good masters, in great numbers, would zealously promote the welfare of their men—as, indeed, a majority do even now; and the rest would be justly stigmatized and spurred to duty by public opinion. But now the workmen resist and trample down this "*feudal*" relation as slavery. They claim the honour and independence of equals, and with it the right of making war on their employer, not merely for some wrong, but even if persons in another town think it a good opportunity to strike for higher pay. Yet, wonderful to say, the same men at the same time are justified by Mr. Holyoake (and by others besides him) in expecting to be treated as children, slaves, or cattle, whom a parent or owner is bound to feed and tend, house and heal. They want to have all the dignity of independence without its responsibilities, and claim with it the miserable privileges of slavery, or the tender care needed by dependent children.

For these reasons it seems not at all useless to treat, morally and economically, the position of the Capitalist in Society, and discuss his functions and their utility. But it may be well to

begin by defining the word Capital. Many throw confusion over the whole matter by alleging that the workman is a capitalist—for *his muscles are his capital!* At any rate, we have as much right to insist on a fixed meaning of terms as a mathematician; therefore it shall be stated clearly how the word Capital is here used.

If two brothers receive each £1,000, and one of them spend the money on his own pleasure for immediate enjoyment, it is not capital to him nor yet to the community. If the other brother spend his £1,000 not on his own enjoyment or pleasure, but on things which he hopes will gratify the public and *induce them to pay back to him something more than the* £1,000, he thereby converts his property into capital, that is, into "money destined to gain profit by gratifying the public." He who spends on his own enjoyment is not necessarily blameable, nor does he necessarily impoverish others. Indeed, if he purchase pre-existing property, which someone must possess, it is not created for him, it is but transferred. Suppose that he has a taste for pictures, and he spends his £1,000 on existing works of a living artist, the community is not worse off for his hanging the pictures in his dining-room or gallery, instead of leaving them in the artist's studio; and, if the artist be a saving man, he may reserve the £1,000 and turn it into capital, exactly as we suppose the second brother to do. Goods are made to be used and enjoyed. If all men were so saving that no one would ever use and enjoy more than bare necessaries of life, all elegant goods would quickly be depreciated, and ere long be judged valueless. Thus it is a question of *degree* in what stage expenditure or enjoyment becomes a vice; all depends on circumstances. To spend £30,000 on a tropical glass hothouse may be very right at one time, yet very wrong at another, because of the more urgent moral claims of some other direction for men's toil. So much by way of caution, to show that expenditure on personal enjoyment, or on the gratification of some special fancy, is not here absolutely blamed in adding that, on the whole and in the majority of cases, those who reserve resources as *capital* are greater friends to the community than those who spend to gratify themselves. On the face of the matter, the one class spend on self-gratification, the other for the gratification of the public; for this is the first condition of gaining a profit.

If no one save, but we all use up resources on immediate gratification as fast as they are produced, the whole nation will live on the edge of destitution and famine. One eminent form

of enjoyment is idleness, or amusement that leaves no material product. A nation addicted to immediate enjoyment is necessarily addicted to amusement or idleness, and does not willingly work more than it *must* work. Hence it is poor in every kind of product. It does not raise surplus food to store, nor reserve more seed than it must reserve. It eats up its year's hoard nearly in the year, and will suffer famine if more than one bad harvest overtake it. Its warehouses are empty: indeed, it hardly requires warehouses. But it is needless to waste time in showing that a people which does not save cannot be rich. The point of this argument is, that savings made for the purposes of trade aim directly at the gratification of the community. The wealth developed for trade is not like the store of corn which a housefather keeps for his own family, or like the hoard of money which a miser locks in his chest. Capital is wealth reserved to *diffuse* in the community something or other which is appreciated by the community as beneficial.

Capital may be, and very largely is, *fixed* in the form of buildings and machinery, or roads, canals, harbours, piers: it then is sufficiently distinguished by the epithet, *fixed* capital. An analogy is observed in the laboriously acquired skill and knowledge of a surgeon or lawyer; and since their education is also expensive, some are tempted to say that the professional man has sunk his capital in his person, and that his talents are fixed capital. But this is barely an analogy, not an identity. Though capital is not always movable, it can always be transferred by sale, and used by another. It is essentially material. The skill of a living man perishes with his life or ill health. The proprietor of fixed capital, if he fall sick and cannot superintend it, may sell it and supply himself with food and other needs from the sale. If a surgeon or lawyer fall sick, he cannot thus transfer his skill and knowledge, nor succour himself by it. On the other hand, he *can* carry his skill to a distant place, but fixed capital is not locally transferable. As skill is annihilated by death, so fixed capital may be impaired or destroyed by a failure of raw produce or even by a great change of fashion. Movable capital may be impaired by rust and vermin: this gives a peculiar value to those forms of it which are most durable, as pre-eminently gold. Yet gold is the least part of wealth, and of capital. The difference is so immense that it produces nothing but confusion to call a surgeon's skill fixed capital. The same evidently holds of the skill acquired by any laborer. Professional men are in their essence mere working men. The capitalist who superintends a

business has also to work, very often long and severely: but his distinction lies in possessing, over and above, movable or transferable capital.

If every family were thriving and prudent, and no public cause arose so urgent as to impress on good men that they ought to spend their *entire* surplus on the relief of others, we might all spend moderately on immediate enjoyment, and all save something every year for the future, without being ungenerous. Then every part of the nation would be perpetually growing richer, so long as its industry could be as profitable as ever; and economists would praise that state of things. Everybody would then save capital. To a certain extent and in certain classes a considerable proportion of families among us does thus grow richer, by living permanently below their income, and not spending their entire surplus in generosity. In so far as they do this, each head of a family saves capital, yet it will only cause confusion to entitle him a capitalist.

Put the case in separate professions, and it will be very clear. A successful novelist or singer, a Charles Dickens or Jenny Lind, or a clergyman in receipt of large income, as the Head of Rugby or Winchester School, saves money year by year for the supplies of later life. Whether it be a hundred a-year or a thousand a-year that he saves, what is he to do with it? Capital he means it to be, but he is not a tradesman; he has not time nor habits nor knowledge that enable him so to use the capital that it may yield a profit. He may leave it in deposit with a banker who will pay a small interest, or he must buy something called Stock or Shares which will yield an income. But profits do not grow up out of a banker's drawers, nor out of a State Debt, nor out of a Company, as crops naturally spring up from seed. That any profit may arise, some one must use the money in some enterprise that yields fruit for which the public will pay. Bankers, who supply capital to traders, are a separate class; yet as they must have large capital of their own, and trade with it, they are rightly included in capitalists; nay, often seem to be more peculiarly deserving of the title than any other trader: but that does not here concern us. Unless capitalists in trade applied to bankers for money, and paid for its use, bankers could gain nothing by deposits. Unless traders were able and glad to apply other people's money besides their own in their business, other people could get no profit. Unless traders have large money of their own which they risk, and make a life business of directing labor, other people's money is not safe with them. For all these

reasons the trader-capitalist is of the utmost service to everyone who saves capital yet is not a trader; that is, to a vast number of thriving and prudent heads of families. But, it must be carefully added, he is also a peculiar and most necessary friend to those who have youth, strength, and industry, but no property acquired or inherited. This is the point on which it is specially necessary to insist, because it is that on which the working population most go wrong. Because the workman is essential to the work, he is apt to imagine he is the sole producer. This might seem as silly a joke as that of an organ-blower imagining that he alone produced the majestic music; but it is no joke at all. We are gravely assured that "All wealth is made by the laborer;" and even Mr. Holyoake (p. 18) speaks of "the wealth which exists through the instrumentality of the laborer" as if he were the only or the chief producer. Hence the fancy of the workmen that the capitalist, in getting "tyrannous profits," is a ravenous nibbler and devourer of the laborer's toils. As well say that horses alone convey passengers, as that the wage-receiver alone produces goods. Harness must be made and food provided for the horses; carriages must be fabricated; the horses must be duly harnessed and skilfully driven, to bring the passengers safe. Evidently the capitalist and the coachman, supplies and skill, are as essential as the horses. So universally, the supplies of material, the machinery or tools, the planning and construction, the vigilant superintendence, the judicious purchases, and the judicious choice of markets for sale—matters which are all the work of the capitalist alone—are as essential for the success of a great establishment, as the strength and faithfulness and hand-skill of the wage-receiver. Moreover, because in bargaining with the capitalist concerning wages and various stipulations, wranglings arise, and the workman's interest is to get as *much* wage as possible, while the interest of the capitalist is to give as *little* wage as possible, workmen imagine that the very existence of capitalists is to them undesirable. This is as though, because I thought a cultivator of the land charged me too much for grain, cheese, milk, and butter, I should regard private cultivation as a national mischief. A tradesman may be unreasonable and charge me too much, but it is of my freewill that I deal with him. If I buy of him even grumblingly, the fact of my buying at all proves that I think that I get good from him. If I deliberately choose to accept his price, I have only myself to blame, except where one can allege some unfairness of law. Some of our old sovereigns tried to raise money by the arbitrary sale of monopolies

to individuals. If the sole right of selling grain were granted by the State to one man in every county, that one man could starve us all, or force us to pay his own extortionate prices; in that case a power and right naturally common to all is iniquitously made over to a very few. But the capital is here presumed to be a rightful private possession, honestly earned or inherited. The capitalist is presumed to have a right to withdraw his capital from trade, and appropriate it to his private enjoyment: hence to claim *as of right* that he shall pay such or such wages is against first principles. It is for him to consider whether he prefers to take no service and pay no wages at all. If I had £1,000 free, I might without reproof debate with myself whether it was worth my while to be harassed with business for any less reward than £200 a year, that is, 20 per cent.; which is to pay my salary for work, as well as my risk. I might argue: My time is my life. If I am to be trammelled and troubled, and have risks and janglings and anxieties about a market, I must have some solid result. It is no use to tell me that 7 or 8 per cent. *ought* to satisfy me. The long and short is, that if I am to get no more I make a slave of myself for ten, twenty, or thirty years, and still earn no sensible provision for old age. I would rather use my £1,000 in quiet pleasure. I might give my family a continental tour or foreign residence; study at a university, visit America or India, cultivate some elegant science. No one could blame me if I chose so to do. English workmen will get little benefit from my foreign travel: yet how absurd then to grumble that it does not suit me to pay wages so high as to reduce my profits low! Rather let them be thankful to me, that I *at all* add my free resources to swell the mass of capital which pays wages year by year. It seems to be in vain that economists set forth the plain truth, that while one who spends his rightful property on his own enjoyment does but reimburse a capitalist for wages already paid, he who denies himself immediate enjoyment and reserves his means to gain profit, supplies laborers with a *new* fund, and by competing for them, tends to raise the rate of wages (or save it from sinking), not for one year only, but as long as the money can be profitably employed. Yet, resolutely perverse, laborers sympathize with the rich man who spends his money on direct self-gratification (apparently because this is what they are themselves inclined to do), and are jealous, often bitter, against him who is their truer friend—him who by personal abstinence swells the permanent wealth of the country, and, while doing them the *very same service* of spending this year, also contributes to future welfare.

Sad to say, peculiarly the most thoughtful and high-minded workmen are often found to inveigh against Profit and Interest as a form of *cheating!* The opinion is too widely diffused to despise or ignore. We need to be prepared to argue the question with many of them from the bottom. We may ask, then, if I, who possess honest accumulations, permit someone else to spend, and accept *interest* from him which he finds it worth his while to pay, how does this injure him, or how injure you? Evidently, if it be good for the community that my power of spending be used, it is better to let someone else exercise it for me than to lock up things useful. And as regards the interest which he pays me, is anyone so unreasonable as to expect me to encounter the risk of lending, and gain nothing by it? His failure to restore my goods is not the only risk. I may die before he replaces them; then I have had no personal advantage from my proprietorship. To postpone enjoyment is to risk total loss to myself. The force of this influence on men's minds is seen in soldiers, who, knowing that every day their life is signally uncertain, are eminently unwilling to abstain from immediate gratifications in hope of future tranquil enjoyment. As above said, it is impoverishing to a community that the love of spending be very strong and the love of saving very weak; and the poorest suffer most in every form of famine. Interest paid on money lent is the reward to the man whose prudence is beneficial to the community. If such reward were forbidden, and the prohibition were acquiesced in by the moral feeling of all, no private or personal motive would remain for lending money. To lend would be a pure act of charity, and no one would lend but to the distressed. To them it would be a probable gift, since it would be hard to recover. No prudent person would then lend more than he could afford to lose and was willing to give. As store for the future, all valuable and highly durable property would have to be locked up. But no prohibition of interest paid by rich traders ever has been or ever will be acquiesced in. If the head of an establishment can get a profit of £200 by using my property valued at £1,000, what moralist can forbid his offering me £50 if I lend it to him, rather than lock it up or spend it? To forbid my accepting his offer is as irrational as it is pernicious to the community.

The enmity of early legislators to what was called *usury* turned on the fact that it was trading on the necessities of the poor. To lend *at all* to the poor, some now maintain to be almost always wrong. Give what you think right, but do not lend; to lend enslaves them. But if you lend, on no account lend as an act of

trade; do not prepare to take them by the throat if they do not pay. Yet that is what a man whose trade is to lend *must* do, unless he means to ruin himself. But to lend to the rich, that is, to those who have tangible property to mortgage for it, is a totally different thing. If I have expensive and useful machinery, but have not adequate means for employing it, then to forbid my borrowing on the security of the machines and buildings, and paying interest for the accommodation, is to command a forced sale, and to deprive me of my business.

So far it has been contended: 1. That it is good for a community that the prudence of saving be somewhat in the ascendant over the impulse for immediate enjoyment; 2. That to make saving profitable to all, and raise it above mere hoarding, we need directors of industry, called traders, who will use their hoards profitably to themselves; 3. That traders ought to be allowed to trade by aid of other people's savings as well as their own, and pay for the use of them. Our English "Limited Liability" Societies have painfully taught us the mischief of entrusting hoards not their own to *amateur traders*—to gentlemen who are paid as directors, but do not make the trade their life-profession. No better security against the evil exists than to lay the principal risk of the trade upon the directors, and make them one and all responsible with their whole fortunes for any losses which the united trade capital cannot make good. This is done in the French system of *Commandite*. England has the unenviable honour of inventing a worse system because she was too proud to borrow from the foreigner one long tried and successful.

Capitalist traders are the true leaders and organizers of national industry. Without them trade is extremely languid; industry has very small rewards, and no investments. Without them population may indeed become dense, if the land be carved into small freeholds; but its industry is then confined to those primary forms which the first necessities of life suggest. When numbers increase, the land does not increase. If the seasons and elements are afflicting, one part of the nation can then give little aid to another. Great variety in culture and in crops, great differences in the nature of trades, and great productiveness of labor, alone strengthen the general market against the shocks of calamity. That the three great needs of life—food, raiment, and shelter—may be afforded sufficiently to every human being, industry in these three classes must be well rewarded. For this it is necessary that both tools and needful elementary supplies be furnished abundantly; and abundance is

tested by cheapness. The elementary supplies intended may be water, or fuel, or raw material, or peculiar seeds and breeds of animals. But summarily it may be said, that the cheapness of tools, and of fuel, and of water-supply, and of foreign products, eminently depends on large accumulation of capital, and its judicious application. Among ourselves the profusion of metal, fuel, and timber, and the ease of moulding both metals and timber into the needful forms, are a primary condition, without which neither food, clothing, nor houses can be efficiently produced. Take away iron, and how will the agriculturist get on? Yet how is iron got at but by elaborate mining, and very arduous smelting and pumping, to which no single man's industry is adequate? Without capitalists to invent, resolve, risk, guide, superintend, control, and supply materials and food for workmen, we should have no masses of organized industry, no iron or copper mines, no coal mines, no huge ships, no distant foreign trade, no vast workshops, no elaborate roads, but mere wretched tracks. We have but to go to Algiers, or Tunis, or Turkey, to see what a country is without capitalists. Nearly everyone seems poor. No considerable wealth is created. True, there are some misers, who hide gold and silver in the earth, and dare not tell their sons the exact spot; hence it is sometines lost. The splendid climate and soil alone make riches possible.

But it is not only in the mines and great workshops where the substance of goods is raised or fabricated that the capitalist is essential: not less is his aid needed for the distribution of goods. For instance, in Manchester the mills which spin or weave are surrounded by warehouses of merchants, who take goods quickly off the hands of the manufacturers, and thereby enable them to manufacture continuously. The same merchants either send the goods abroad or supply our home-shops with them. Likewise in the shops everywhere are smaller capitalists, not less conducive to the welfare of the community. The rivalry of manufacturers hinders their charging too much to the merchants; the rivalry of merchants hinders their charging too much to the large shopkeepers; the rivalry of the large shopkeepers forbids their charging too much to the public or the village shops. This is the competition so stigmatized as "tyrannical!" Evidently the keeping down of price is for the benefit of the consumers; that is, of *the millions*. Of course, it keeps down also the gains of the largest capitalists, whether in mines or mills or dockyards; and thereby makes these capitalists less able to pay high wages to workmen. If a capitalist have 2,000 workmen, then to raise

their wages sixpence a day costs him £50 a day, £300 a week, or about £15,550 a year; yet he has no certain power of raising the price of his goods. A very slight rise makes the public buy less. This sixpence a day to each may be more than his income. yet workmen often speak as though no motive but avarice forbids a rise in their wages. No workman is forced to work for any capitalist, little or great, if he can invent for himself a mode of getting a higher wage for service; no tradesman needs to buy of the capitalist, if elsewhere he can find a lower price for goods. Therefore, the capitalist is a pure boon to every community, *never a mischief* (if his trade be itself innocent and beneficial), *but always a good*, and that on the greatest scale.

But here we meet from workmen the flattest contradiction. "The capitalist (they say) is our natural and necessary enemy. He may be personally a good sort of man; he may have risen from the ranks of workers; he may by birth and connections sympathize with us; but his position is antagonistic; our foe he must be, our master he will be if he can, and we have nothing to do but either dispense with him altogether, when that is possible, or fight against him by combination, as best we may." Against all this prejudice, error and confusion, employers cannot hope to prevail by reasoning, and whoever takes a contrary side in the argument is generally set down in the workman's mind as "one *who has his own reasons* for upholding the tyranny of competition;" moreover, the sanction of some educated gentleman confirms them in these convictions. It is hard to get the opposite argument listened to in the right quarter, yet it may be here set forth.

But first let me appeal to Robert Owen, of Lanark, Mr. Holyoake's favourite hero, and the object of his generous and interesting panegyrics. Mr. Owen was a capitalist. He purchased the Lanark mills for £60,000.

> It was an administration by the thoughtful manufacturer who planned it (says Holyoake). It was partly a benevolent, but *mainly a well-considered economic scheme.* The originator wanted to see in his workpeople more skill, better conduct, and improved condition. To attain these ends he knew there must be diffused among them *intelligence*, and the cost of imparting this intelligence he believed would be refunded by commercial results *He acted on the principle that intelligence would prove a good investment; it did prove so.* Holyoake, p. 40.

Clearly this is a proof that the mere *position* of a capitalist has nothing of necessary antagonistic interest to his workpeople. Mr. Owen at Lanark was a master, a despotic master; his will ruled; all had to obey him; and well it was for them and him.

He "patronized" the workmen. Mr. Holyoake would fain pass this off as "Co-operation," and says that Mr. Owen "shared with the laborers and their families a part of the common gain;" but these words, unexplained by the writer, admit no interpretation but that Mr. Owen went to great expense in buildings and school-keeping for the education of the workers and their children. Mr. Owen's own account, quoted by Holyoake, says nothing about extra payments proportioned to the employers' profits, but only: "He reduced the hours of labor, well educated all the children from infancy, greatly improved the condition of the adults, diminished their daily hours of labor, *paid interest of capital* [to mortgagees], and cleared [in twenty-nine years] upwards of £300,000 of profit." This Lanark scheme was highly successful and meritorious. In it the workmen had no control of the business, but had to obey: Mr. Owen's after-schemes, in which he did *not* direct, were all failures. Lanark is a splendid original example of a spirited manufacturer erecting lofty rooms and establishing schools for his workpeople with excellent results. Saltaire, under Sir Titus Salt, is a more recent instance; but, begging Mr. Holyoake's pardon, it is illegitimate and misleading to entitle either of them "Co-operation." They are very valuable and eminent illustrations how kindly and profitable is the relation of capitalist and workmen, when each side duly understands its interest, and no poisonous influence from without sets them at variance.

Now, according to all common sense, and according to proverbs ancient and modern, *natural rivals* are "two of a trade." As old Hesiod says, "Potter has a grudge against potter, and carpenter against carpenter." An ironmonger some day tells you he is in sore trouble: why, *another* ironmonger has opened a shop two doors off! During the cotton famine many vast and splendid factories were to be seen rising in the manufacturing districts; and when you asked, "Are these for woollen works?" the reply was, "No, for cotton; the builders put in new machinery, and expect, when cotton is to be had, to take away the trade from the older mills." So intense is the rivalry of spinner against spinner, weaver against weaver! And among the working men themselves the worst spite and the atrocious crimes are always of workmen against workman, not of workmen against the employer; precisely because the "two of a trade," workman and workman, are natural rivals. But buyer and seller are natural friends. *The employer* is thus natural friend to *the employed*, each having that to spare which the other wants. Evidently strikes made

by the working men are made at least as much against their own order as against the capitalist. Their great fear is lest some more destitute or more easily contented than themselves should accept a wage which they reject; hence their malignity and invectives against their fellows who will not join in strikes. The facts show that their theory is fundamentally wrong.

The real calamity to working men is that there should be in the country a large population more distressed and indigent than they are. These are their rivals; these are they who exert a "tyrannical competition;" only these can *force* wages down lower than the market might otherwise afford; but to nourish hatred against them for this rivalry is inhuman. If the Trades' Unions could but open their eyes to facts, they would see that the constant pouring of population out of the country into the towns (which become sinks of misery) is their great grievance. This not only affords cheaper labor to employers, but fills lodgings, raises rent, pollutes air and water, lowers the standard of decent living, causes beggary, vice, disease, and degrades the working classes. The first political aim of the artizans ought to be to effect such a change in the laws of land-tenure as shall secure that the country shall feed all its new births—shall be so fully tilled as to make farm products cheap in the town market, after well feeding the producers, and shall facilitate an emptying out of the unwholesome density of the towns into the vacant rural areas. All this would tend immeasurably to the comfort, health, and affluence of the artizans. And if, instead of vexing capitalists by hostile unions and strikes, they pleaded for long terms of engagement, it is certain that the most friendly relations with the employers would quickly be established, especially if they invested their savings in the master's business. Of course then, the richer the capitalists the better for the workmen. Instead of being angry with their comrades who will not join in a stoppage of industry, which impoverishes all parties, they ought to reserve their indignation for any section of perverse workmen who bring an entire establishment to a standstill by special demands, to which the employers do not assent; indeed, they ought to give moral aid to the effort of replacing contumacious by willing servants of the common weal.

It is not here overlooked that, half a century back, and perhaps for the seventy years which preceded, manufacturers combined to keep down wages, their numbers being then much fewer, and everything new. But, for full forty years, the workmen have been the aggressors; the masters have very painfully felt their

strength, earnestly desire to keep their hands attached, constant, and regular; and, even when not at all philanthropic, would rather make a sacrifice than quarrel. The number and the individual wealth of employers is vastly increased, and their rivalry is very strong, except when the combination and dreaded hostility of the workmen forces them to act together. Even without strikes wages have steadily moved upward; nay, will and must if the masters' wealth increases, which indeed strikes diminish. Hence the position and policy of the Unions is suicidal, and every way deplorable.

It has not been intended here systematically to review Mr. Holyoake's book, of which only the first or introductory volume has appeared. But it may be stated that he has compiled a continuous interesting account of the early strivings towards a better industrial state, that his tone is uniformly generous and philanthropic, and his striving is to be just. Malthus he does not understand. His facts tend to show (what some seem to know by instinct beforehand) that defect of *moral* qualities is the weak industrial point among both richer and poorer. Vice is the most fatal cause of waste, the worst deranger of industry and blighter of its fruits; but in this statement we must not exclude from vices those great generators of strife — arrogance and selfishness.

P.S.—A remark has been here omitted. Literary men are apt to sympathize with workmen who *might* (in some one establishment) be better paid, if the clever employers who are getting 12½ per cent. would be satisfied with 8 per cent. They argue that the masters are blameably covetous, because so many moneyed men invest in the National Debt, where they accept 3½ or 3. But the case is wholly different. The broker or banker does not lose control of his money for half a day. He prefers 3 per cent. to *nothing:* if he kept the money in his safe, he would get nothing; moreover, he has not the toil and risk which befals the trader capitalist, whose rate of profit must be compared only with those in like establishments. Any unusual rate generally betokens superior skill in the management, and ought not to be frowned on by the tranquil onlooker, but rather rejoiced in; while the wages are those of the average market. While the wage receivers are bitter against *poorer* men for being unwilling to join their strike, the "knobsticks" or "blacklegs" ought to have our sympathy, not the violent and imperious strikers, who in general claim to dictate to the Capitalist Directors.

ENGLISH CAPITAL AND FOREIGN LOANS.

[Reprinted from "Frazer's Magazine," February, 1876.]

Loans negotiated in England, to be raised from English citizens for the convenience of foreign potentates, are not a new phenomenon. There have been plenty of such transactions, not only with Great Powers, but with upstart Governments of doubtful stability; and in the case of the American Union, with States that have no flag and no right of communication with foreign rulers. Of course the motive for lending has been discontent with the low interest at which Governments, notoriously trustworthy, can command loans, and the widely extended belief that most Governments *must* be trustworthy.

Just of late there has been painful excitement concerning the Turkish and Egyptian loans, through the difficulties which are accumulating on the Sultan's Government, and the doubts whether Ottoman rule has any long future. If we look to the immediate circumstances under which these loans were contracted, the case of the Turks is hard. They were very unwilling to borrow, and the severer religionists among them even pronounced State loans to be inconsistent with Mussulman doctrine. If State-indebtedness be a vice, it is a vice into which English urgency has seduced them. In the Crimean war our ministry was foremost not only to suggest that they ought to borrow, but to indicate how and from whom. Without leave of Parliament, Lord Palmerston went so far in pledging advances of money from the English treasury that Parliament found itself to have no practical freedom left; concerning which, Mr. Gladstone at the time made a definite and resolute protest.

Next, when we concluded the war victoriously, we did not insist that Russia should repay to Turkey the overwhelming expenses which her unprovoked invasion had caused; hence, in the extreme exhaustion of the provinces, nothing short of great self-denial, patriotism, and wisdom could restore the state of the finances, which before the war was feeble enough. It is not wonderful that when the Turks had once overcome religious scruples, the great

convenience of borrowing should lead them to ask a second and a third loan; the only remarkable thing is, that Englishmen should have been induced to go on lending. Nor is it possible to suppress the unpleasant suspicion that the craft of those who negotiated the loans deceived the innocent and confiding persons who took shares in them. The present Sultan, at the beginning of his reign, was believed to be far superior to his deceased brother in power of mind, and was expected to be energetic in restoring the empire. Ottomans have always upheld high and sound notions of fidelity to compacts, whether political or commercial; and it cannot be doubted that the Sultan Abd el Aziez earnestly intended to be rigidly honest to all his creditors. It would appear that he took alarm at the depreciation of the Government Notes (another form of indebtedness which the Ottomans have recently learned from Christian powers), and issued an "august rescript" to his able minister, Fowad Pasha, on this subject, commanding him to report on the measures needed for re-establishing mercantile confidence and bringing up the notes to par. Fowad Pasha's report (April, 1862), though somewhat confusing by its courtly verbosity, shows him to understand the question in the abstract; yet it may be reasonably believed that he unwittingly helped to comfort the Sultan too much, and thus encouraged the dangerous and newly-besetting vice. It appears from his statement that the Sultan ordered the Chancellor of his Exchequer to buy up the depreciated cash notes, in hope of raising the value of all that remained; but the resources of the treasury, hard pressed on for other needs, failed in the attempt. Fowad Pasha plainly says that the issue of [inconvertible] notes "is no sound financial economy, but an expedient to be adopted under pressing necessity." After pointing at the years 1270, 1271 (A.D. 1854, 1855), as entailing severe war expenses which could not be defrayed from current income, he adds, that after these years "the necessary attention to internal expenditure was not shown;" by which, apparently, he means delicately to imply that the late Sultan was extravagant; "and this caused an amplification of the state of delusion, through which debt was incurred on a monstrous set of conditions; but these matters did not recur in your august reign." Thus acquitting the present Sultan of personal error, he comforts him by the argument that *though it would have been far better not to borrow at all, yet there is nothing in the debts to terrify;* for his high lordship has entered on the way of borrowing at quite a recent moment in comparison to the other European powers; and when the whole debt is funded, the yearly

interest will bear but a small ratio to the entire expenditure. In particular, the dynasty of England in the year (A.D. 1850) paid in interest 6,292,000 purses, out of a total expenditure of 12,636,800. The French Government spent about 12,619,200 purses, and about a third part of this was interest on debt. In the United States of America the sum of the expenses was 2,701,600 purses in the year (1848), and the value of the interest was a quarter of it. Of the Austrian dynasty the expenditure was approximately 6,494,440 purses, and the interest on loans one-fifth. But in the Sultan's Government the total expenditure may be estimated (he says) as 2,786,815 purses, and the interest of its funded debts only 334,088 purses, or less than one-eighth. Fowad further estimates that the Ottoman taxation, head by head, reaches only 45 piastres, whereas in England it is greater than 800 piastres, and in France it exceeds 250. He distinctly lays down that "the high rate of taxation (in England) is only a mark of the wealth of the population;" nevertheless, he honestly insists that to an energetic and wise Government there is nothing in the existing difficulties to cause alarm.

Perhaps he was perfectly right; and if all the ministers, the Pashas, and the Sultan himself, had been as wise and energetic as Fowad, things would have come right between 1862 and 1870; but events suggest that Fowad's report did but encourage more expenditure and more borrowing. David Hume, more than a century ago, declared that to give a prodigal heir facility for borrowing at every banker's is not more ruinous than to facilitate loans to a minister of State. Undoubtedly for a Government, as for a wealthy man, there are occasions when it is wise to mortgage a portion of wealth in order to obtain the power of immediate spending, and this becomes more manifestly safe when the yearly income is constantly on the increase, so that the interest of a loan will be less felt in every five years to come, and a facility for paying off the principal may be reasonably counted on. But none of these conditions existed in Turkey. Extensive as is the territory, fruitful the soil, and magnificent the climate, vast tracts of fertile land are desolate. It ought to derive from the earth so abundant resources as to be comparatively independent of manufactures and of modern machinery. The population ought to increase steadily; it rather seems to decrease; but this is written under correction. Everything has the aspect of decay, simply because industry is not protected, nor are rich men secure. Neither a sultan nor a wise vizier can regenerate a whole race; but indeed, if reports be true, this Sultan has applied the public

revenue to his own fancies as freely as did his predecessor, nay, has far surpassed him in wilful extravagance. Thus it does not appear that the contracting of foreign loans has tended to the advantage of Turkey.

But what is to be said of the *principle* of accounting loans to a foreign prince a transaction of the private market which every citizen may freely enter? Is it really quite clear that such a transaction ought not to be regarded as an affair of State, which can only be brought before a nation by the definite permission of its Government? It is not hoped that in this article so entangled and difficult a question can be at all decisively discussed, yet the discussion appears opportune, and circumstances invite to utter what one may be able to adduce. The topics will necessarily range over a wide surface.

Two broad principles are generally accepted in theory and acted on in practice, though not always consistently. The one, that a Government may forbid exportation of the articles which are necessary for the consumption of its own people; the other, that it may restrict or forbid either exports or imports in pursuance of its own financial or foreign policy. Each principle may be foolishly applied with caprice, unsteadiness, or needless severity. No one blames the prohibition to export corn in time of famine. Our fathers, in the last century, when the prices of grain were high, used to forbid distillation, which wastes barley. This, though it was a sudden interference with their trade, distillers in those days appear to have accepted as something foreseen when they entered it. The Athenians made it a great offence to export figs, for which no reason can be imagined than that they were a cheap food which the poor would not allow to be made dear by exportation. Our economists would opine that a large foreign demand would quickly have led to an immense *extension* of culture, such as to enrich Attica without enhancement of price to its people; but if this argument was not thought of, the plea that the land, a public possession, should minister abundance to its own people first, was far more reasonable than the plea for the English corn laws, which raised prices to the millions avowedly in order to enhance the landlords' rents. That the interest of the public is paramount, and that no interest of special trade must be allowed to sacrifice it, was an axiom in antiquity, whether the rule was despotic or democratic; and it is wonderful to what an extent the moderns have drifted away from this doctrine.

In the discussion concerning Mr. Gladstone's French Treaty a

grave objection was started against the exportation of coal, an article on which the manufactures of England pre-eminently rest. Only because it was abundant and cheap, were we, with our rugged climate, able to import cotton from the West or East Indies, and send it back manufactured to compete with native fabrics. Coal, it was urged, is not like crops, which you increase by sowing and culture. Foreign competition must enhance price and promote rapid consumption (the material being indispensable to us), must drive us to mine in lower strata, more and more expensive in working—more and more dangerous. Thus, with no more satisfactory result than that of enriching the existing lords of coal mines, we deliberately use up in two or three generations the stores which ought to be economized for the entire future of our nation. These topics were actually adduced and pressed, but perhaps in the Tory prints only. Cobden in France and Gladstone in England being then in notorious alliance, Tory opposition was regarded as a thing of course; and it would appear that no tranquil attention was paid, such as arguments of science deserve. It is not here implied that the foreign demand for our coal has been the *sole* cause of its painfully enhanced price, by which our poorest are the chief sufferers. The increase of screw steamers and oceanic navigation has something to do with it; so has the drinking and perversity of miners. Still we seem to have a right to account this an eminent example in which the permanent interests of the nation have been sacrificed for the temporary enrichment of a class. It suggests that neither legislators nor the nation, nor indeed the men of economic science, have been duly alive to the public rights; and in so far, it may prepare us to find the same phenomenon in other matters also, as in that of foreign loans.

It may be worth while to advert also to the great jealousy which the English law has shown in the matter of "commerce with the king's enemies." A merchant who sells cotton goods and kitchen hardware to the Chinese or Persians suddenly finds that he is guilty of a treasonable act, if war with China or Persia has been proclaimed; and this, though none of his wares be such as would be called "contraband of war," as having a tendency to aid the warlike operations of the enemy. Only so long as the king or queen is in friendship with the foreign power is our commerce accounted legal. How much more would it appear that so great an operation as the transference of property equivalent to millions of pounds sterling, for a promise of payments in distant years, ought only to be made under the sanction of our native Government.

In England, where so very large a proportion of the people lives on weekly wages, all economists agree that their welfare, or even their decent existence, depends on the adequacy of the national capital. Our condition is widely removed from that of France and most other continental nations, where a great majority has a secure and direct tenure of the soil, and feeds itself by its own labor; being almost indifferent to the question whether other men be rich, or whether the collective capital of the richer be great or small. If French townsmen impoverish themselves by foolish loans to foreigners, this does not starve French rustics nor drive them out of work; at worst, it makes their town market less profitable. But if English capitalists in town and country be enticed to throw away their accumulations on an untrustworthy foreign speculation, the English peasant is liable to get less wages or even no work at all from the farmer, and no employment for his son in the towns. To him the abundance of national capital is not like the abundance of figs to the Athenian, whose most ordinary cheap fare might be bread and figs; but a break-down in the national capital may entail on the Englishman a loss of his bread as well as of that which gives his bread its savour.

Our English condition is not a desirable one; or, indeed, one that ought to be permanently endured; but seeing that it has lasted a long time and (whatever we may desire) cannot be very speedily altered, it draws after it the need of a corresponding vigilance in the Government. If famine of grain be a danger against which a prudent Government would watch, famine of capital is a danger which, in our very peculiar state, *primâ facie*, claims equal vigilance. Of course, no Government can direct individuals how to bestow their spare resources, but there is a wide difference between misapplying them *at home* and wasting them *abroad*. A misapplication of them at home is often nothing but a transference from a first holder to many others, who are enriched by all that the first loses; then the nation collectively is not poorer. Or it may happen that the loss to the individuals occasions only temporary loss to the nation, which is soon the richer for it. Thus, when branch lines or competing lines of rail were constructed too rapidly, many were impoverished by it and for some years the nation got no sensible benefit from their loss; but when new lines gradually came into use, the benefit was undeniable. Many an ill-judged expenditure half ruins the man who planned it, yet very soon becomes beneficial to others and to the public; and at the worst, the resources are spent on

English workmen when they are wholly unremunerative to the capitalist. Hence, except when a commercial scheme is in itself mischievous, whether morally or physically, an attempt to direct or forbid the entirely free use of our capital *at home* will justly be deemed an erring and mischievous activity. Indeed, besides all the other considerations, the sum risked in each separate scheme is almost always small compared with our entire capital. The only exception is in those cases in which the aid of Parliament is invoked, as in the constructing of extended lines of rail. Here, where the Legislature actually becomes a party, it must of necessity consider whether the expenditure of a vast sum in a limited time is desirable.

But when we send valuable goods or their equivalents *abroad*, several new considerations enter, both commercial and properly political. It is habitual with merchants to expect the aid of their Government in the recovery of their foreign debts, and in defending their persons and property on foreign shores. Well-conducted commerce is a vast benefit; ill-conducted commerce is the parent of buccaneering, war, and national hatreds. From the earliest times this has been notorious. Among the ancients, commerce not regulated and secured by treaty was regarded as little else than piracy; and we daily feel, as of late in the Pacific, this fatal tendency. We cannot endure such an interpretation of Free Trade as would allow Englishmen to arm vessels against the possible injustice of foreigners, and sally forth prepared alike for commerce or war with weak barbarians. In such commerce avarice and audacity soon become reckless. Violent deeds are done by men who have got beyond the reach of English law. The English name becomes odious, and valuable lives, like those of Bishop Patterson and Commander Goodenough, are sacrificed. By Free Trade Cobden and his associates understood merely "a trade without differential duties," or a trade in which no artificial advantage was given to one class of sellers. The modern interpretation of the phrase is a groundless perversion. Inasmuch as the Government must defend its own honour and the rights of its own merchants, of necessity this implies a judgment whether the trade be worthy of maintenance; in that case there must be consuls to claim the dues and the just treatment of our people, and political treaties with competent Governments for the acceptance of such consuls.

How intimately and directly our foreign trade depends upon Government aid (totally differing herein from our home trade) was remarkably shown in 1824-5. The "Holy Alliance" had

slain Lord Castlereagh by its policy, soon made public in the Congress of Verona, 1823. Mr. Canning, his successor in the Foreign Office, in extreme disgust at the conduct of the four Great Powers, "recognised" the independent political existence of the Spanish American colonies, hereby (according to his proud boast) "calling a New world into existence to redress the balance of the Old." Forthwith accounting that English commerce with Mexico and the South American Republics would be defended by English ships of war, our merchants hastened to pour out upon the New world without discrimination every species of English wares. Steam engines were sent, which, from want of roads, could never get farther than the coast; skates were sent to countries where ice was unknown. Out of the vast ruin caused by such headlong attempts at commerce sprang the wide-spread bankruptcies and awful panic of 1825. The Government was wholly blind to the danger; the chancellor, Mr. Robinson, rejoicing in a full exchequer, mistook the crisis for "prosperity." But if it had had clearer prescience, who could blame its taking extraordinary measures to avert so great a national calamity as this stampedo of frantic merchandise? In general, the Government of necessity has the task of determining (in concurrence with the friendly foreign power) in what foreign ports or places its consuls shall reside, which inevitably guides the direction of our commerce; but for the most part it declines to interfere as to the nature or quantity of the goods sent out; all interference of this nature is exceptional. Nevertheless, since it makes a voluntary move, and stretches out a hand to *protect* exchanges, it evidently reserves to itself a right of intervening whenever the commerce threatens in any way to thwart or embarrass the national policy.

If this be frankly admitted, a step forward is gained in considering the question of foreign loans. But before applying the concession, let us introduce a new possibility. Suppose the friendly foreign power to desire an importation of English *men*, either as settlers in the new country or as soldiers in the army, how would our Government treat this? Perhaps of necessity they must reason as follows:—"In any case we have a natural right to be consulted before we part with our subjects, or agree to their swelling the strength of foreign armies. True, when an individual of his own mere notion wishes to emigrate, whether to an English colony or to foreign soil, the effort to keep him is more than he is worth; if we keep him by force, he may become disaffected; personal impulses are incalculable, and it may be wiser not to thwart them. But when a foreign Government steps

in to compete against us for our citizens, the case is far graver. Numbers of them, well-meaning but variously ignorant, are likely to repent too late if they accept; is it not our duty to shelter them from their own unwisdom? Surely we cannot approve of our *men* leaving the country in thousands, abandoning their female relatives and all who might have been their wives. The emigration of individuals, each carried by his own impulse, may need to be endured, even when we regret it; but the emigration of whole masses—whether of males only or of mixed population—under the solicitation of a foreign power has an entirely different aspect. If the foreigner has large tracts to people, and plausible advantages to hold out, the drain upon our population may be interminable; and inasmuch as the number of worthy citizens is our truest strength, this is an operation for denuding and crippling us. Besides, a foreign Government desiring such a thing ought surely not to pass the native Government by, and attempt direct transaction with our citizens. All such proposals ought to go to them *through us*, and receive our sanction first." So far as I can judge, this is the view of the case which would all but universally approve itself.

Alter now the supposition, and let the foreign prince desire to obtain of English citizens, not *men* as colonists or soldiers, but a huge loan of money on the scale needed for the great operations of Government. If a French or German merchant ask a loan of an English house, the matter cannot be of so great national importance as to call for any public notice by authority. Nay, if a foreign prince could condescend to borrow money from the private estate of an English subject, the Englishman might well be trusted to look after his own interest. The utmost sum that he could lend would be trifling in comparison to the national capital, and incapable of being appreciated in its effects on the great world of politics. Just so, if a foreign prince order a ship to be built by an English firm. But when a loan is negotiated, it is never on the narrow scale of a private fortune, nor is it imagined that the negotiator will be the actual lender. He virtually takes the position of the manager of a lottery, who must induce other people to accept shares, and expects shortly to shift the responsibility off his shoulders on to theirs. Now it belongs to the State in each country to decide in what form commercial partnerships or other combinations shall be legal. Those forms of union which conduce to fraud, and enable the cunning to plunder the simple, are forbidden; or at least to forbid them is justified. We have absolutely forbidden lotteries among

ourselves, and have much difficulty to exclude touters for foreign lotteries, which, if legalized, would work exactly the same mischief. Nevertheless, more recently we have permitted raffles for objects of art which are indivisible ; a clear proof how remote we are from fanaticism or overstraining of any principle. When no moral evil follows, we are glad to rescind the prohibition; not the less do we maintain it when the transaction tends to gambling, which happens when it is not the award of some article in return for money, but money in return for money. Evidently now, if it belongs to the Legislature of a country to decree whether a lottery agent may be allowed to gather up the moneys of the population, and under what conditions partnerships shall be legal, equally it belongs to the Legislature to say whether an English subject shall be allowed to gather up moneys for the convenience of a foreign prince—perhaps under very delusive pretences. In the last case there is a phenomenon which excites just suspicion, viz., that the negotiator of the loan, while he has in appearance the chief responsibility, has in practice secured facility for divesting himself of all risk. When once he has floated the loan, no one can tell whether he retains any share in it himself, or how much. Unless it were possible to make him answerable with his whole fortune for its soundness, the protection of our citizens may seem a sufficient reason why such transactions should be forbidden. If the negotiator can propagate delusions in the community, he has everything to gain by his proceedings and nothing to lose. If the result prove calamitous, the calamity is very wide-spread, and strikes especially those families whose heads have been industrious, self-denying, anxious to provide for the future of those dearest to them, and only so far imprudent as to believe the seductive representations of apparently well-informed and respectable persons.

Besides all this, political considerations are involved when funds are advanced on so great a scale as the pecuniary dealings of Government require. The case of the Ottoman dynasty in its relations with its Christian subjects is not at all bad as an illustration from which one may reason back to first principles. What are the merits or demerits of its rule, need not here concern us. If it were far more oppressive than it is to Bosnians or Bulgarians, England could not stand up single-handed as their champion ; and the rivalries of European powers, to say nothing of their covetings, make intervention "in the cause of humanity" suspected, ill-omened, fruitful of quarrel, and seldom beneficial. But the worse we might think of the Ottoman dominion over

Christians, the less willing ought we to be to see the hard-earned money of Englishmen poured into the Ottoman treasury, and there used to perpetuate an oppressive vassalage. If there were no pecuniary delusion, if the Ottoman treasury were ever so sure of meeting its creditors punctually, the English Government might not the less feel, on general political grounds, that it was wrong to allow funds, which ought to enrich the English poor and beautify these islands, to be devoted to the maintenance of a baleful tyranny, if that were the aspect in which they regarded the dynasty. Indeed, to change the illustration, we have but to turn to Jefferson Davis's Confederation. If Lord Palmerston's ministry had continued faithful to the cause of freedom and order, and had been indignant (as an imperial power might well have been) that men who were under oath to the United States should use their official power to organize rebellion, as they did, it surely might well have forbidden the great loan which, with immense advantage to the insurgents, was advanced from this country. When millions are borrowed, we get beyond the sphere of ordinary commerce. Great political issues, one way or the other, generally depend on these loans, which in most cases are either *beneficial* or *hurtful* to the policy of the Government from whose citizens the resources are obtained. From the nature of the case the Government can seldom be indifferent. In the case of Turkey, no doubt our ministries favoured the loans, hoping to add stability to that decaying power. But, except when for the sake of high policy another power is thus favoured, one might expect every cabinet to deprecate foreign loans, inasmuch as the draining away of capital is necessarily adverse to the interests of the entire mass of English workmen.

From all these reasons it may perhaps be deduced, that if we alighted upon some industrious and wealthy nation—some Japan or Siam—with whom it was a received doctrine of law that no foreign potentate could have money-dealings with their people except through the channel of the native Government, and could neither negotiate a loan, nor order ships of war or weapons of war, without the matter being discussed by the highest authorities, and approved or disapproved, we should have no just grounds for accounting such law barbaric, or for alleging that it sinned against the rightful freedom of trade. A Government is something else than a trader. Its finance moves in a higher plane, and with widely grander results for good or evil, than the expenditure of a rich merchant. Money being the sinews of war, every loan in modern days smells of

gunpowder, insomuch that the Peace Society might act with much logical consistency in deprecating them. Every Government may, of course, contract loans from its own people. They are but a means of lessening the pressure of temporary taxation on the feebler part of the community, who would have in very many cases themselves to borrow, under the greatest difficulties, if the Government did not instead itself become the borrower. But it is scarcely an overstrained or too severe judgment to say, that a power which, when no enemy from without threatens it, cannot stand without foreign loans, does not deserve to stand at all. At any rate, let its loan be contracted under the public approval of responsible foreign Governments, and not by mere pecuniary inducements tendered to commercial houses.

When a definite and intelligible commercial object is contemplated in a loan, the case is much altered. Suppose that the State of New York wishes to improve her harbour, or the State of Illinois to rebuild a burned city, then, instead of establishing a company with shares for the purpose, the State (like grander Governments) finds it more suitable either to defray the expense at once by direct taxation, or, when the work is one of lasting benefit and the expense great, to contract a loan, with interest to run for thirty years. Such loan would in general be taken up chiefly by the citizens; but no political reason appears why English or French citizens might not participate in it without any cognizance of their respective Governments.

As regards the loss of capital to England itself, it is not overlooked that no mere prohibition of foreign loans can ever prevent immense waste. The disease lies far deeper, and cannot be healed without fundamental reforms in our laws of land. That which economists regard as our life-blood is perpetually drained away—from England, and from England only—not because we are so rich, but because we are not permitted to invest our savings on our own soil with advantage and security. In Massachusetts the savings' banks pay 6 per cent., though in soil and climate the State is inferior to England, the winter being remarkably harsh. In marriage settlements, I am told, it is common to count on 6 per cent. as the interest of trust-funds. Many economists would have us believe that the interest of money cannot be permanently different in different countries, and try to explain all higher interest than that of English consols as an indication of inferior security. But facts are entirely against this dogma. High profits cause high interest; and high profits largely depend on wise law, freedom, and public honesty. Unwise

law or prevalent immorality will beat down profits and lessen the interest of money, and that, of course, most where very many save capital. It is this low scale of interest which tempts our capital abroad, and seduces so many to invest in foreign loans and in numerous unsound schemes. Poor as is the remuneration which very many shareholders have from our railways, it is a vast advantage to the near future of England that such an investment has been found *at home*, and that so glorious a work has been achieved for our permanent benefit. When it is remembered how many millions are every year spent in intoxicating drinks and tobacco, it may appear almost ridiculous to think much of the national losses by the worst foreign loans; nor does the present writer at all imagine that any worthy result would follow from a new-born zeal in our rulers against this one form of loss. Other far greater evils have to be extirpated before we are in a position to get benefit from minor reforms, if reforms they are. Nevertheless, if the reasonings in this article are sound, they may help to hold up to us an outline of the commercial functions of Government. They may also chasten the extravagant interpretation of Free Trade, in which anonymous writers so recklessly indulge, especially in the desire of defending the pernicious drink traffic. Neither from Whigs nor from Tories is any *government* to be expected in the future. Both of them have interpreted leadership to mean following the lead of the people; hence the people are now forced to lead. In the old parties two influences predominated—personal objects, and national ambition for extended rule and influences. Desire of the *moral* welfare of our own lower classes has been too feeble to carry any great measures; but these classes, not without large support from above, are now resolved not to allow their own debasement and impoverishment by a pernicious traffic. When they have suppressed their worst vice, which our statesmen have fostered, they will become rich enough and wise enough to be masters of the situation; and, whoever may be at the head, will have to make *moral* interests and the sound condition of the *lowest* people the first interest of State. When this stage is reached, our yearly savings will not be spent on foreigners. We, as other nations, shall find plentiful use for all new capital at home, to the adornment of our land, to the ennoblement of our industry, and to public strength. Then we shall have little temptation to listen to foreign loan-mongers.

SMALL FREEHOLDS.

[Reprinted from "Frazer's Magazine," December, 1877.]

The late Mr. Cobden is often quoted, as having said that free trade in land would produce in England a beneficent revolution far beyond that which free trade in goods can achieve. In the same direction the Right Hon. John Bright is from time to time reported to speak; indeed, if we have his words accurately, it would seem that in this way he evades without rejecting the rising claim that small freeholds shall be attainable, and that tenant farmers shall cultivate in security. The phrase "free trade" is, in recent years, captivating, and may be used with plausibility even where it is quite out of place, as free trade in intoxicating drink, free trade in opium, free trade in slaves. The thoughtless mass of our countrymen echo to a cry once made popular, and are easily carried into the belief that, *universally*, free trade is a good thing; indeed, they have forgotten, or have never heard, that Mr. Cobden himself on many occasions defined that with him free trade meant the absence of differential duties; that is, he claimed that no difference of duty should be made, such as gives to one seller an advantage over another seller. This is a very different thing from insisting either that everyone should be allowed to sell, or that, be the article what it may, it ought to be saleable, and tenable, to any amount whatever. No one who calls out for free trade in land means hereby to deprecate the giving to one seller of land an advantage over another seller; just as in claiming free trade in corn, the propriety of giving to a British farmer artificial advantage over an American or Russian farmer was denied. A few voices of economists (so called) are raised in favour of abolishing licences and permitting indiscriminate sale of intoxicating drink: this too they try to recommend by calling it "free trade," as if assuming that all articles are alike fit objects of unrestricted sale, and as if danger from an article ought to be nothing to the law. It is probable that Mr. Cobden applied the phrase to land, intending to embrace

three things: Abolition of the law of entail; public registration of sales, mortgages, and settlements; and such a simplification of the law as shall make conveyance easy.

As soon as the first Reform Ministry entered its career in 1833, a wide expectation was diffused that a systematic registration of estates and of all the burdens upon them would be made compulsory. The Whigs or Whig-Radicals of Henry Brougham's fraternity had for many years urged the great importance of such a measure; but Lord Chancellor Brougham himself had plenty to do in clearing off the arrears in his own court; and after he quarrelled with the Whigs, he no longer applied his great talents to legal reform. Meanwhile, the obstinate unwillingness of the holders of landed estates to set before the public eye all their settlements and mortgages (to say nothing of timidity to reveal possible legal weakness in titles) was an obstacle too great to overcome. The legal possession of land is coveted as an instrument of power and as a public ostentation of dignity. No peer or squire whose estate yields to his disposal only half of its actual rents is willing to let the public know that he is but a half-owner. Thus we are no nearer to a general registration and frank publicity than we were fifty years ago, and without such publicity every sale of an estate requires a careful and expensive legal inquiry into its title, so that rapid cheap transference to a new owner is impossible. Nor does any symptom appear that the time is at all riper for abolition of entail. Thus, if free trade in land is interpreted as above, to imply just such change of the law as is necessary and sufficient for cheap and rapid sale,—then in mere talking for free trade in land a politician displays his onward zeal very cheaply; hence, if he try to put the phrase forward as a substitute for small independent cultivation, such as exists in France, Germany, Hungary, Switzerland, nay, Italy, Spain, he either deceives himself or is not quite honest.

Several facts connected with our existing state of land-laws do not receive adequate consideration. Experienced land-agents declare that every year a vast quantity of land is actually sold; that in most counties it is at any time possible to buy considerable estates: that there is no absolute block to transference felt, even from the numerous entails; that legal expenses fall chiefly on the seller, since the buyer counts these expenses as part of the price which he will have to pay. On this account the advocates of registration have long argued with the landowners that registration is *in their interest*, that it will be *a bonus* to them, for it will undoubtedly increase the selling price of their estates. It may be

unkind to grudge to them this appreciation; but the argument, if sound, tends to show that the general public has not by any means so much interest in sweeping away the legal expenses of sale as the Whig-Radical reformers have been accustomed to assure us: it might even increase the obstacle to State purchases of the soil. On the other side, the landlord's property, where it has been held by one family for a century or two, has immensely increased in selling value, even without effort or expense to the successive holders. Landlords as a class cannot be said to deserve an effort from national reformers to hoist up yet higher the market value of their estates; nor do they deserve pity as victims impoverished by the complexity of law. It is true that no poor man can now count on buying a small freehold for cultivation; but neither would any such free trade in land as either Mr. Cobden or the Right Hon. John Bright have propounded visibly aid poor men to this object, which, nevertheless, is attained without difficulty under our existing law, where men combine to effect it. This is seen in the building societies: it is seen also in the Shaftesbury Park estate and other similar unions. If a rich society choose to buy an estate, it can buy it; if it choose to carve out small freeholds and sell them, it can do this also, and remunerate itself. Nay, a new and extremely weak Land Union, which has its centre in Leamington (a branch which has broken off, *forswearing strikes and politics*, from the Union known as that of Joseph Arch), already, by means of twopence a-week contributed by laborers, or rather, by three-halfpence out of the twopence, has begun the purchase of estates, and establishing upon them, not indeed freeholders, but copyholders (as perhaps lawyers will call them), tenants secure of their position while they pay a fixed rent. The same thing could be done all over the country, if intelligent aid to conduct such societies were given by men who see the great importance of every cultivator having an interest in the crop and security against rise of rent or ejection. Easy and cheap transference of land may be a good thing; but it is not the same thing as marrying the land to the laborer, nor would it by itself tend to that object. The two objects are so different, that to confound them involves us in gross fallacy. But this is not all. Against any professed Liberal politician, who shirks the claim to establish a movement for small freeholds, by replying, "Yes, he goes so far towards it as to desire free trade in land," a sharper retort may be needed; namely, that the trade in land has long been far *too* free for the interests of the nation. It would be unequitable towards what has been called the Manchester School,

to charge peculiarly upon it an evil doctrine, for which perhaps all the traders in all our towns are responsible, and many too of our professed economists; the doctrine, that landed property ought to be put by the State on the same footing as moveable property; that they are the same in nature, and ought to be subject to the same restrictions. The Manchester leaders never came forward with any measure for the land, and therefore perhaps never committed themselves to any philosophy on the subject; nevertheless, their general talk was alway against "the feudal" system, against connecting landed possession with political duties and privileges, against everything which would limit and restrict *ownership;* and, as far as one may speak in the rough, they rather assumed than asserted that an acre of land is property the same in kind as a ton of iron or copper. Certainly no outcry has been raised by this school against an *unlimited* possession of land by individuals; nor has it ever suggested how the abuse of power hence resulting can be prevented by law. If we permit one man to hold as his own an entire county, how is he to be hindered from emptying it of human population, if he prefer sheep or deer to men? How is he to be compelled to allow sites for Dissenters' chapels, if he permit the residence of such beings on soil of which he accounts himself owner? The evil begins at an earlier stage; it lies deeper; no such extent of possession ought to be legal; no possession ought to be called *ownership*, least of all that of one who does not cultivate. Trade in land has been "free" enough to allow rich men to buy out the vast majority of petty agricultural freeholders, not in Cumberland only, where the little proprietors called statesmen have been most recently bought out: but, from the inquiries made into parish documents elsewhere—as in Devonshire—it has appeared that a hundred years ago there were far more of small rural freeholds than now. If we regret the fact, we ought to remember how it has been brought about. The petty proprietors have not been driven out by armed force. No feudal lord ejected them. Merchandise, not conquest, has exterminated them. The fancy prices offered have been too great a temptation to some; others who have been careless, or drunken, or unfortunate, have been persuaded or compelled to sell; and the landlord, ever eager to enlarge the area of his domain, has seized the critical moment to buy. Merchant princes from the towns have invested their wealth in the land. The process has gone on more or less actively for two centuries, in proportion as mercantile and manufacturing wealth accumulated, by which also the minerals and quarries and farmers' produce became appreciated, to the

landlord's benefit. Free trade is no remedy for this disease. There is only one remedy, namely, to limit by law the magnitude of estates. This is in some sense a measure *opposed* to free trade in land, for it forbids further purchase to one who has already reached the legal limit; and the fact is, to imagine that a trade in land *ought* to be free is a fundamental delusion, and a very mischievous one, whether supported by writers who call themselves economists, or by politicians of the manufacturing towns, who sympathize in the ambitious cravings of merchants to become landed aristocrats. Even moveable products are not allowed to be fit objects of free trade when they are strictly necessaries of life, and accidentally limited in amount. In a town whose supplies of food, of water, or of fuel are cut off by an enemy, the stores of grain and of coal, the wells of water, are seized and husbanded by the Government. The previous owners may be paid by some rule imposed from above; but no private citizen is allowed to waste or sell at famine price, or appropriate to himself without limit, necessary food or water. No freedom of trade is imaginable in such articles while deficiency continues. These cases, though transitory and exceptional, are very instructive, and apply *à fortiori* to the possession of land, which is at all times a necessary of life, and nearly everywhere sensibly cramped and pinched. Among ourselves there is indisputably a chronic dearth of it. If in a besieged town, where water and grain ran short, no rich man would be allowed to buy either article at his own will for luxury or waste, as water to cherish his flower-garden, or wheat to feed his pigs and peacocks,—at no time is there visible rightfulness, or plausible reason, in his buying 100,000 acres of land. Even if so large estates did not enable him to play the tyrant at his will without any breach of the law, the mere fact that so many persons desire this very scarce article, land, is a sufficient reason for enacting a limit to possessions. Recent times abundantly contrast the beneficial results of small freeholds, and the evil of allowing private tenures to be widely extended. Even the United States already begin to complain of land-engrossers.

The "feudal" lordship, against which our would-be reformers in the mercantile ranks so often declaim, was, in comparison, a righteous and reasonable institution. The lord was not a private person; he was a public officer, with well-defined duties and limited remuneration. The higher lords, the barons, had the status and responsibilities of a prince. Their power was often too great for the law to control; but this was still truer of the king than of the baron; and no learned historian will question

that barons and baronets are quite as necessary as kings in the ordinary transition of human communities from barbarism to well-regulated and equal freedom. The same cannot be said of huge private estates in land. They are not a bridge for transition from a ruder to a better state of mankind. They are, in the first stage, as with us, and as with the old Romans, *the evil legacy of conquest*. The victorious and dominant caste contrives to clutch out of the territory publicly conquered great masses of land as private property; public it may long be in name, but by mutual connivance and cunning law it is made virtually private; and perhaps in a second stage, "free trade" in it being permitted; it passes by purchase to men who have been enriched by commerce or manufactures, or by other accidents. The purchasers, just as planters who have bought slaves, regard their rights as indisputable because they have paid for them; and, just as little as slave owners, are likely to study whether the article they have bought is a fit one for free trade. Moreover, it is not too bold to say that, as a general result from history, vast private estates are pernicious in every country which permits them. It was notorious to the Romans under the early emperors how ruinous they had been to Italy. There they wrought out, among other evils, by a process very different from ours in Scottish counties and islands, the same result—emptiness of population and extinction of agriculture. Among them it was complicated with conscription for the army, and consequent preference for slaves who were exempt from conscription; with us, the motive for unpeopling estates is baser, whether calculations of rent or love of "sport" be that which has predominated. But, one might think, the mere mention of the fact that a private possessor has emptied a wide tract of its human inhabitants would suffice to move indignation against the state of law which makes such a thing legal and possible. While it is legal, our indignation ought to be directed much more against the law than against the proprietor who has done as he pleases with that which the law pronounces to be his own. To our greatness and security as a nation, a large population is eminently conducive; to our comfort and happiness, our safety, and our mental progress, abundant and cheap food raised from our own soil is of first-rate importance. In these matters the aim and the results of that "feudal" system which our commercial reformers see only on its worst side, show a favourable contrast to that which our commercial landlords have managed to establish. If any deed of a baron to the tenants of his barony would have seemed an affront and an

injury to a feudal monarch, it would have been the replacing of a rustic population by sheep and deer. It would not avail to say that they were housed somewhere in the towns, where they quickly cease to be a military reserve. Our Plantagenets could not quote Horace; but they had a keen appreciation of the *rusticorum mascula militum proles*. At that time, indeed, there was little need for the king to insist that the baronial contingent to the king's army should be maintained in full strength; for it was the interest of the baron as well as of the country. But after the first Tudor king adopted the policy of distrusting baronial retainers, and trusting to a full treasury, the barons improved the lesson into putting off their military character and assuming that of *tradesmen*, whose principal object was rent. In order to gain by exporting wool, they before long made war on agriculture, turning crops into pasture, and ejecting tenants to make large sheep farms.

This was not the feudal system, but its break-up and overthrow. Hence chronic pauperism, the disgrace and misery of England; hence the multitude of "sturdy beggars," and Poor Laws, which were established, not from humanity and mercy, but as a measure of police, in fact as a buttress of the new system, to save the landlords from the despair of strong-bodied paupers. Through the energy of mercantile wealth steadily increasing under Elizabeth, England somehow emerged from these evils, and developed a vigorous yeomanry; yet pauperism has never ceased; the towns have remained sinks into which rural misery drains. After the estates of the greater nobles had been generally broken in pieces, the "free trade" in land which practically existed, built up anew vast landed possessions, but this time without the ancient restrictions and safeguards. In the older system the rent was determined by custom. The feudal baron was *lord*, that is chief, but he was not *owner* of the soil; others had rights in it as well as he. In the very nature of the case it is so, and must be so, whatever may be enacted to the contrary by a Parliament of landlords, and whatever the interpretation of lawyers or judges; so long as men have to live on the earth, and not in mid-air. If one landlord have a right to empty his estates, all have the right; which is equivalent to saying that we live simply at their mercy. To put it otherwise—the baron's rights were only derived from the king; and the king has no right to drive the population into the sea. Our roads are called the king's highway, because the king has the duty of protecting them; in the same sense were barren hills and sea

beaches the baron's manor. These were no more regarded as *property* than were the high roads; and as the king was not, in any pecuniary sense, the owner of the roads, neither was the baron owner of the wilderness. He had duties upon it, but it was not regarded as a source of revenue to him. Definite payments, ordinary and extraordinary, were awarded to him by custom, just as taxes to the king; and while he performed high political services for his dignity and his establishments, all was reasonable in principle, and natural. But that form of land tenure which displaced the feudal system is neither reasonable nor natural, but highly artificial, though custom blinds us to this. That a man should possess so much land as he can personally cultivate, and that he should be continued in possession of the same land, unless it be specially needed by the community, is natural. Again, that he should pay quit rent for the use of a house and other buildings, and for capital sunk on the estate by a predecessor, also that he should pay tax to the State for defending him in his possession, is certainly natural. We may add, that if a capitalist can superintend cultivation, and employ laborers who are too indigent to stock farms and to wait for sales, this too, within certain limits, is reasonable.

But that a man should be able to buy up large tracts of land, and make himself the *owner* of them—to keep them in or out of culture as he pleases, to permit or forbid residence, to close or open roads, to dictate where houses may be built, or, if he please, forbid the building—this is no natural right, but is an artificial creation of arbitrary law, law made by legislators for personal convenience, for their aggrandisement or enrichment, certainly not for the benefit of the nation.

In a thinly peopled country, and barbarous time, vast estates cannot, and do not, remain private; but the chief becomes a public character, and holds land as a king holds it, namely, as representing his clan, his nation. This may be despised and deprecated as feudal, but it is far more reasonable than the commercial idea, which assimilates land to moveable property, transferable to any amount to anyone rich enough to buy. Our law never has admitted that moveables and land stand on like footing, or ought to be treated alike, though unceasing efforts have been made, and with no small success, to break down the barrier between articles differing in essence, and to hoodwink the public into the idea that it was a righteous thing for land*lord* legislators to turn themselves into land*owners*. The result has enabled landlords not only to absorb those gains of the farmers

which ought to have enriched the laborers, but also to plunder the State of those public treasures which lie beneath the soil. Under feudality, of course the chief of a district, or of a clan, had a right to use alike fuel from the copses, timber from the forest, stone from the quarries, or gravel from the sea beach, for his own convenience and necessity; and where such material was abundant, the whole resident population enjoyed some proportionate right over it, such as over the common pastures. But no king in granting a barony, intended to give into the ownership of the baron the quarries and minerals as *merchandise* for his enrichment. That he should use what he needed was understood without any compact; but that the baron should become virtually a timber merchant, a coal owner, a dealer in stone, lime, and gravel, was not imagined by anyone. At most he could claim enough for his private needs; any surplus ought to have gone to the State, *i. e.*, to the public service, whether local or central. In fact, the baron had to maintain a judge's court, and an effective police, with customary payments to the king analogous to tribute. Since our legislators long since voted themselves free from nearly every feudal duty, and converted the minerals and forest into strictly private property, we cannot now redress the injustices of the past without inflicting what would be felt as new injustice; but it is not therefore right to treat as the normal and natural system of mankind that which is a perverse and pernicious usurpation peculiarly English and to acquiesce in it as perpetual. This is, in effect, that to which the outcry for "free trade in land" would lead us blindfold. By confounding special rights in land with ownership of land, it tends to inculcate the false idea that we may not impose restrictions on the sale of land unless we are willing to impose the same on the sale of moveable property in which ownership is complete.

It will not here be maintained that any positive limit ought to be set by law to the amount of private wealth in moveables. There have been constitutions, as that of ancient Sparta, which went far beyond this enactment; but what we know of such eccentric states does not at all entice us to imitation. Great contrasts of wealth and poverty in the same community, no doubt shock the moral sense; and where there is a yawning gap between the rich and the poor, with no uniting middle class, we may be sure beforehand that the fact denotes unjust law. Not always so, when there is a vast intermediate body enjoying moderate wealth. Unjust law and prevalent vice may then

conspire to pauperize a great mass; still it is not at all clear that any remedy will be brought by setting a limit to private fortunes in moveable wealth, nor does any *principle* show itself which should guide us to a reasonable upper limit. But whatever one may judge on this subject, it ought not to be allowed to affect the argument concerning land or water. No industry, no cleverness, can multiply the area of these. In their own nature they are public, and are made private by special law only: and when one person gets so much of them as to inconvenience and damage the community, it is obvious that law ought to discourage accumulation. To enact a maximum for private estates is far more reasonable than to promote "free trade" in land. In every transference of landed right among ourselves the law ought to aim steadily at breaking up huge estates, and to hinder their formation in the future by direct prohibition. To forbid entails, may be very wise for other reasons also; but it is only a part of the movement which may be desired in this matter.

Yet another consideration is here involved. It is not for nothing that the artizans of England, when the topic of land-tenure is brought before them, cry out for "nationalization" of the land. One who thinks freely soon reaches the conclusion that in a really good and just state of law the vast gains which under the disguise of rent fall *unearned* into the hands of English landlords ought to constitute (with necessary deductions for collecting) a State revenue, and be spent on the nation for universal benefit. In some stages of national life this absorption of rent by the State would make the holders of rule despotic; so that for political reasons a vast economic sacrifice may be advisable to uphold an aristocracy against a king. There is little danger of this to us now. John Stuart Mill conceded that in principle the aspiration for "nationalizing" the land was correct; but he understood, what the artizans generally do not, that stupendous expense and prodigious jobbery would follow any successful effort for immediately attaining their object. Therefore he confined his aim to intercepting for the Government any *further* "unearned increment" of rent; which some political economists allege to be distinguishable—very difficult as the distinction seems to the present writer; nay, his impulse is to call it impossible. Not to press further this suggestion of Mr. Mill, we may yet urge that the land actually public (the Crown estates) ought to bear good rents for the Exchequer, and that the area of public land ought to be sedulously and constantly increased. The history of the Crown estates is as scandalous on

the side of the kings and their ministers, as is the history of rent and feudal duties on the side of the nobility and squires. King after king either sold Crown estates or gave them away to favourites—each deed being unlawful and liable to be invalidated. I have read (perhaps in Sharon Turner) that Richard III. after selling a Crown estate and spending the purchase-money, resumed possession of the estate on the ground that the sale had been illegal. Without pressing any details or trusting to historical uncertainties, it is notorious that the existing Crown estates are but a fraction of those which once sustained the chief burdens of ordinary government, and that what now remain by no means conduce to the interests of the Exchequer and the full supply of the markets commensurately with their value and extent. When royal parks, as those of the metropolis, are made beautiful and convenient to the public, for this we may be grateful, and confess that it is a step in the right direction; yet we cannot admit that beauty and pleasure are alone to be the benefit which Crown estates yield. As of old, they ought to yield solid rent and aid the public revenue. This is no place for details. No definite Crown estate will be pointed at. It suffices to insist that what the Indian Government can do, the Government of England can do when it has a will for doing it. The Indian revenue in the Dekhan is chiefly derived from rent paid by small cultivators: equally then the British revenue might be much aided by similar rents. To scold at small cultivators as inexpedient, with the example of France, Belgium, and Switzerland before us, might have seemed impossible; yet, between the times of Adam Smith and John Stuart Mill, English economists (wonderful to say!) adopted this tone; and many English talkers, who fancy they have got to the bottom of political economy, seem to have learned nothing about peasant proprietors from J. S. Mill and Thornton. But of late the prevalent objection made to small freeholds is of a different kind. It is admitted that they make the cultivator very industrious, that they supply a market excellently, that they conduce to political stability by giving to the stalwart millions "a stake in the country;" but it is argued that it is useless to introduce the system, for *it will not stand;* the rich will buy out the little proprietors again as in the past: in France the system stands only by the severe restrictions of law, which force the peasant to leave his land equally to his children, thus forbidding its free sale. In other words, the objector makes an axiom of free trade in land, censures the French law for trampling the axiom under foot, yet virtually confesses that the desired object is gained

in France. Notorious fact shows that the peasantry have there been immeasurably benefited by the small culture; and how much they raise for export after feeding themselves, our markets attest. A century ago a smaller population was simply starved. In a hundred years the rural prosperity has gone on improving in spite of political catastrophes and distressing conscription; nor has subdivision been carried to the ruinous extreme predicted. It is really too late to declaim against peasant proprietors; one who does so is an anachronism, he condemns himself as unable to learn with the age. The objection recited above does but circuitously show that the law must *in some way* (not necessarily in the French way) counteract the efforts of the rich to buy out the independent tenants, and, in so far, must forbid free trade in the land. Now against Crown estates divided into small farms the objection falls to the ground of itself. The tenants would not be freeholders, but at most copyholders, paying a *fixed quit rent* to the State. No one of them would be able to put another person into his place without leave from the presiding public officer, and in no case is it likely that a rich man who did not mean to cultivate in person would desire to buy a tenure so circumscribed, or would be acceptable to the Crown as a tenant. No doubt a delicate question here underlies, which shall not be dissembled. In order to stimulate diligence the cultivator must have security that any *permanent* value which he adds to the estate shall be his own: a topic peculiarly pressing if his soil is naturally bad, or if he plant fruit trees, erect walls and buildings, or make drains. When he falls sick or grows old, and is incapacitated for culture, is he not entitled to some payment from an incoming tenant? May he not prospectively bequeath this payment as tenant right? The obvious reply is, *Yes*. If he wish to put his son into his place, and his son have no disqualification, the case is simplified; for father and son then make an amicable arrangement. If a stranger succeeds, the estimate of payment might be guided by comparing the estate in question with the least advanced among such estates in the neighbourhood. The award made by a jury of these little tenants would probably satisfy the general conscience. Since the State ought to move in the direction of *winning back* the public tenure of the soil which has been profligately yielded up, no private trade at all, much less free trade, would take place in the Crown estates. A purchaser could purchase nothing but the right to cultivate and dwell on the property, and this only by consent of a public officer.

But if it be once acknowledged as sound policy to promote small

culture (which is undeniably more profitable to the market than that of average farmers), much more is proved than the wisdom of so utilizing *existing* Crown estates. It ought to be a fixed policy, ever at work, to *increase* the area of land, which is strictly public, whether in the hands of the Crown or in some provincial public body. A central government can effect this in two ways, either by purchase or by a suitable legacy tax. A few words are needed concerning each. (1.) To purchase, year by year, without intermission, large landed estates, not at the fancy of a minister, but by fixed law of Parliament, is a very intelligible policy, but of course requires what will be called *surplus* revenue, and is liable to the retort that the Chancellor of the Exchequer is not always lucky enough to have a surplus. Yet there is absolutely no weight in this remark. In less than forty years the ordinary expenditure of Government has risen from an average of *forty* millions to an average of seventy, yet the burden is not felt so much now as when we paid thirty millions a year less. The difficulty is not in getting money, but in wise disposal. Each successive ministry, just as the coal miners and the artizans, fails in wisdom to spend aright, and therefore always seems poor in the midst of wealth. Either the Chancellor of the Exchequer dissipates his surplus to earn popularity by a very needless remitting of taxation, or some other minister involves us in huge expense, as that of the scandalous wars against Abyssinia and Ashantee; or again, a splendid and doubtful act dazzles us, such as the purchase of Suez Canal shares, and the buying back the right of promoting army officers freely. If a new Arctic Expedition is proposed, the objection of its expense is never paramount; and as for war expenditure in time of peace, there is no sum with which it may not run away. The only way to secure steady purchases, whether of land for the State or of the National Debt, is by making them not out of surplus money, but a necessary part of every year's budget; then every ministry will provide the funds as a matter of course, and will find no more difficulty than in getting the many millions incurred by the two wars just named. Another objection cannot be fitly dealt with in this article, an objection which will be raised by a very small school, who say that until we have paid the National Debt we have no surplus, and our *first* business is to pay. In its own place this topic is of high interest; here it suffices to say, that the payment ought to be a fixed sum yearly, or a special tax devoted to it; this would not hinder the steady pursuit of a second object, if Parliament ruled by law over the heads of ministers, *as is the duty of a legislature.*

(2.) As to the possible legacy tax here pointed at, a tax to be received *in land** is intended. Whatever the fraction of property due as tax, whether it be ten per cent. or two per cent., the tax on money bequeathed should be taken in money, but the tax on a bequest of land in land. A new tax is here imagined, and the idea must be justified. It is regarded as evident to common sense that there is some reasonable limit to the area of land which a private person may control, and that an evil condition of things introduced by landlord legislators to the aggrandizement of landlords is not to be perpetual, but ought to be steadily undermined, with as little loss to existing landlords as may be. The first matter of cardinal value to be desired here is, a VOTE of the Commons, pronouncing the verdict of the House, that huge estates are against the national interest; a *desirable* maximum should be named of rural land and of town land separately. *What* the maximum ought to be is very important, yet it is a secondary question. It suffices for the writer to suggest, for discussion, a *thousand* acres as the ideal maximum for rural land, and *two* acres for town land. Such a vote would not be a law, and would not affect existing rent; it would merely give a new basis for legislation, and be a solemn promise that law should take a new direction. Moreover, it would place in an exceptional condition all that surplus of landed property which was barely tolerated, although pronounced to be hurtful to the national weal, and would suggest for it a system of exceptional taxation.

Here it may be insisted that, without allowing any absolute limit to the possession of *moveable* wealth, there is good reason for insisting that large incomes should be taxed at a higher rate than smaller ones. For in fact, what is it that we tax? surely not indigence, but wealth; that is, surplus. We not only do not tax paupers, but we support them. We ought not to tax those who are on the edge of destitution, lest we thereby convert them into paupers. There is no plea of reason for a uniform rate of tax upon those who are judged taxable. Surplus wealth is the object operated on, and the aim is to equalize burdens. Surely if three per cent. were demanded, the receiver of £1,000 a year must be accounted more able to pay £30 than the receiver of £100 to pay £3; and so of any other fixed rate. Every new tax takes men by surprize, deranges calculations if it be large, and may distress

* I borrow the idea from Mr. W. Gibson Ward, of Perriston Towers, near Ross, who has written with great learning, energy, and philanthropy, on the entire land question.

many; but if once a system of higher taxation for higher incomes were established, and had become customary, it would not be resented any more than the present taxation is, but would be admitted as natural and right. To fix ideas, let it be supposed that every income were divided into sums of £200; that whatever the rate charged on the first £200 (suppose 2 per cent.) it should be increased by ¼ per cent. for every additional £200, so that £1,000 would pay £4 *plus* 4¼ *plus* 5 *plus* 5¼ *plus* 6, or £25. This is probably too rapid a rise to be continued upward; for though reasonable enough to an income of £1,000, such a scale would bear heavily on a man of £10,000 a year, and would actually confiscate all that exceeded £80,000 a year. Unless an upper limit were intended, the scale would be otherwise managed—say so as never actually to reach 25 per cent. on the last £200 for however great a fortune. Nothing more is now intended than to point at the *principle* as not inequitable, even in application to moveable wealth. How much more is it applicable to landed possessions, and eminently to areas held in an excess voted by Parliament to be hostile to the public welfare? If 1,000 acres of rural land were voted to be the desirable maximum, it would follow that *in future* no private person ought to be permitted to purchase land to such amount as would make him holder of more than 1,000, and no one already holding more should be allowed to increase his acreage. Further, to bequeath to anyone more than 1,000 acres would be a perpetuating of evil, and a fit object for exceptional taxation. This would justify a graduated scale of legacy tax on land, to be taken by the Government in kind, that is, in land itself.

If such doctrine ever prevail, it will be a further axiom that land coming into State possession shall never be sold to private persons. Nevertheless it might be highly expedient for the central Government to sell it to a municipality or to any other territorial institution, as to a provincial legislature, if such existed. The land would still remain public, but by its passing into the hands of a local community the dangers of centralization and of bureaucratic despotism would be evaded. Funds received for it from the local public might at present be specially devoted to paying the National Debt, so as to save ministers from wasting it on the harpies who ever clamour for, and generally dissipate, all that is called surplus revenue. Our towns are in urgent need of rural land. They ought to plant out their poor-houses and reformatories, and colonize the country. But in such utterances one is checked by remembering that the first business

of all is to hinder the demoralization and pauperism of towns by miserable rustics flocking into them. The rural districts ought to support their own new births, as well as receive colonies from the towns, and certainly not to expel the rustics. But nothing of this can be achieved without *new principles*. Rather than free trade in land, we seem to need compulsory trade, when the buyer is a public constitutional body. As Parliament compels the sale of land when needed for a canal or a road, it is not evident why every municipality may not, as of course, claim the same thing for any urgent public want. But here again we are arrested by the fact that Parliament, which derived its own power of taxation from the boroughs and shires, has now limited their right to tax, so that they are crippled from raising funds for any new objects.

Since England is now the marked exception in Europe in the land-tenure, while Ireland has never admitted the justice of our land laws, and in India a totally opposite system is maintained and justified, he must be a sanguine landholder who expects our existing system to continue unassailed. For the squires and the nobility it will be happiest if the Ministry and the House of Lords, following the example of Prussia, take the initiative in decisive reform, and do not wait until (perhaps in a time of general distress) the country rises to claim it. That which is here earnestly pressed on would-be reformers is, that no slight measures of a customary and superficial kind can possibly bring a remedy. The disease is nearly four centuries old; it has eaten to the marrow of our bones. The state of our peasantry is a European scandal. An average rustic laborer, whatever his diligence, has more than enough to do in rearing a family, and has no better prospect for his declining years than rheumatism and the poor-house, perhaps with separation from his wife; or at best, a miserable dole of out-door relief. To bring them up to the level of the French prosperity we certainly cannot desire the French process of a dreadful revolution; but the change needed is vast, and must entail sacrifices. If it were introduced gradually and early, much struggle might be saved, and the ruling classes might themselves, to a certain extent, control the movement; but of this no hope as yet appears. To imagine that the mere facilitating exchanges of land, called "free trade in land," will effect the necessary transformation, is a grave and pernicious delusion. The soil of England ought to be the very best investment for rich and poor, pouring out wealth to incessant industry, and securing to every laborer the fruit of his own toils.

Now, on the contrary, rural industry is ebbing; we depend on the foreigner to feed us; agriculture gives way to pasture; the fields are emptied, the towns are full, the largest towns increase fastest, pure water and pure air are costly articles; nay, pure air cannot be had where the sulphurous smoke from densely planted dwelling-houses deforms heaven and earth. Is this an England of which we can boast to the foreigner? Is this a state of law which we can expect the mass of the people to regard as sacred?

ON THE MORAL LIMITS OF BENEFICIAL COMMERCE.

[Reprinted from The Contemporary Review, 1879.]

When a Professor of *Political Economy* was first established in the University of Oxford, a controversy presently arose in the academical common rooms concerning the just meaning of the phrase. Among elder and conservative men the most active-minded insisted, that it ought to receive the full width of meaning attached to it by Aristotle in his treatise on Economy, which with him was emphatically the Economy of the State, that is, in pure Greek, *Political* Economy, although this epithet is not annexed to his title. By this interpretation the science naturally and necessarily became implicated with moral considerations, which never can be excluded from the statesman's view. But the actual students and Professors of the new science, —eminently Mr. Nassau Senior, and Dr. Whately, shortly afterwards Archbishop of Dublin,—naturally feared that by such an interpretation Political Economy would become confounded with Politics; would indeed cease to be a science; and by so great an enlargement of its area, would fail to receive that special and definite cultivation which Adam Smith had bestowed on it, as the theory of National Wealth. Whately indeed, to avoid this inconvenient extension of the sense, proposed to call the topic, not Political Economy, but *Catallactics;* that is, the Science of Exchanges. Excellent in many respects as the last title was, it might have seemed to exclude the whole doctrine of Taxation, and still more decisively all discussion of Malthus's theory of population; which belongs to Politics or to Morals, not at all to the doctrine of Exchange. In the end, the Economists ruled, that their science does not at all teach what *ought* to be, but simply what *is;* what *goes on*, and *will go on*, as an inevitable result of individuals holding exchangeable right in definite articles. Thus they seemed to have driven moral considerations out of their science, as much as out of gardening or medicine. To call their Political Economy on that account *heartless* (as so many have

done) may seem ridiculous; but this form of attack on it arose from a perception or belief that its professors were claiming for it an *imperative* force, while disclaiming morality, and were assuming that it was a sufficient and supreme rule for political action.

Of late it has been maintained on a special ground, that moral considerations cannot wholly be excluded from Political Economy. Dr. W. B. Hodgson, first holder of a new chair in Edinburgh as Professor of *Mercantile* Economy, has urged, that in so far as morality or immorality in individuals affects wealth and the markets, we do not exhaust the discussion on Exchanges while we neglect this consideration. Perhaps indeed no one in discussing taxation has omitted to consider, what taxes lead to fraudulent evasion or to smuggling: but Economists hitherto with great unanimity have resolved, that, in their character of Economists, they will not notice moral evils from an Opium Trade, or from sale of deadly weapons and ammunition, or from traffic in intoxicants; nor can one in general discover from their writings, that they know vice to be wasteful, or national expenditure on needless and foolish objects undesirable. They have a right to select what topics they will treat, and what they will not treat. They have a right to say: "Such and such considerations belong to Morals, not to *our* Political Economy;" but on the one hand, if they are resolved that their science shall be as unmoral as Engineering or Navigation, they must not claim for it any decisive weight in State-politics; on the other hand, the topics which they neglect, need, so much the more urgently, to be treated by others; especially since we have no Professors of practical Morals, and (for more reasons than one) questions of the market are not thought suitable to the pulpit.

That an exchange of one thing for another does on the whole *please* both parties to the exchange, is evidently testified by the fact that each acts voluntarily; hence the inference is too lightly made, that each is *benefited* by the transaction. Nor only so, but from an increasing magnitude of exchanges increase of wealth is inferred, without any reference to the nature of the things exchanged. In a rough estimate this reasoning has, no doubt, a *primâ facie* weight; for we may not dictate to the tastes of others, nor assume that tastes which are not ours are therefore silly. Yet evidently things which perish in the using quickly cease to be wealth, and things which are not likely to be approved continuously cannot long command the same high price. No article could fetch a price at all, if it were not intended to be

enjoyed, used, or consumed: the final purchase is called expenditure, and all expenditure is liable to moral judgment, approving or censuring. When we censure expenditure, not merely because it is excessive, but because it is essentially foolish or evil, we necessarily deplore and deprecate the traffic which feeds it,—the traffic which it encourages: hence some vicious trades are even forbidden by law. Short of this, there is necessarily a large margin of trade which law does not and perhaps cannot successfully forbid, which nevertheless may be justly regretted, censured, and, as far as may be, discountenanced. Economists are not here blamed, if they (disowning moral considerations) do nothing of the kind; but they must not be allowed to blind us to the fact that some trades, not forbidden by law, are so far from promoting wealth and weal, as to be gravely pernicious. To rejoice in their magnitude, to announce it triumphantly as a proof of national prosperity, is something worse than a mistake.

No reader, it is believed, will complain that the last sentence is mysterious or obscure. Our manufacturers of cotton and woollen have of late loudly deplored the falling-off of their home trade, while the consumption of intoxicating drink continues to increase. They believe that if the labouring classes spent less on the brewer and distiller, they would spend more on the clothier. The most fanatical devotee of alcohol cannot deny that too much of it is drunk, in face of the long-continued avowal of the judges that drink is by far the greatest cause of crime, — drink, short of evident and provable drunkenness. Indeed it is not from those who are outright drunk, but from those who have been drinking, that the worst and most numerous outrages come, while the foot and the eye are steady, though the brain and the passions are perverted. To boast and rejoice in the magnitude of the drink traffic, legal as it undoubtedly is, has no moral defence. The topic is here adduced, not in order to push that argument further, but in order to insist that the mere increase of a trade does not *in itself* denote an increase of wealth; is not *in itself* necessarily a thing to be applauded either by the economist or by the moralist. In each case we must look into detail, and consider whether this or that prosperous trade, like a huge weed in a garden, dwarfs or kills other growths, which, but but for it, might thrive.

An avowed ardent disciple of Mr. Cobden,—a gentleman in some eminence of place and rank,—has recently dissuaded taxes of wine and tobacco for the sake of revenue, *not* on the ground which one might expect, viz., that a Government ought not to

base a revenue on what may chance to be Public Vice, *but* on the ground that "the grower of wine in France and of tobacco in America" can reasonably refuse to trade with us, if "we will not accept payment in *the only coin* which he has to offer, namely, in his wine or his tobacco."* As if we were not competent to reply: "Of wine and tobacco we quickly get more than enough. Preserve your grapes in sawdust or make them into raisins, and you will not find our people averse to enjoy them, nor will you encounter any unreasonable duty from our Custom-Houses. As to tobacco, surely the rich land which alone can raise it, can raise no end of other products which we are certain to value." This well-informed writer, in his whole argument, seems to account wine the only food-product which we receive from France; (to silks and elegant articles he once slightly alludes:) but he cannot be ignorant that the solid food which France sends us in eggs, cheese, butter, vegetables, chickens, and dry fruit is enormous. She would in ordinary years send us wheat, did not America, Russia and Australia make it needless. To speak of wine as *the only coin* of France is a wonderful straining of argument. But the reason for quoting it here, is, to illustrate how completely the school of Cobden wishes the State to ignore moral considerations in trade. Yet the State deserves no reverence, if it be not moral. Laws and Enactments framed by minds reckless of morality, are apt to be, on the one side unjust and oppressive, on the other, eminently corrupting. A State which gains revenue from a vicious trade, such as gambling and debauchery, demoralizes its people so effectually as to deserve reprobation rather than reverence. According to the ancients, the lawgiver begins to civilize society and to earn veneration, by establishing Marriage and sanctifying the Family. Are we to say, "We have changed all that now;—let the Church care for morality: it is no concern of the State?" Who first taught such sentiment as wise policy, it is not easy to say; but it certainly has, in practice, if not in theory, attained a deadly currency. It never was the doctrine of Adam Smith. It is obviously a sure road to ruin, if its development be unopposed.

A legislator, of course, ought not to guide his enactments by the morality of any one school. If, in Greek fashion, we were to set up an Epimenides, a Solon, a Lycurgus, as plenipotentiary to start us in a new course, there might be some little danger of one-sided and conceited morals: yet not much, even so; for a

* *Reciprocity*, by Sir Louis Mallet, C.B. 1879. Printed for the Cobden Club.

very one-sided or very stupid man would hardly be elected: every lawgiver wishes his new institutions to be permanent, and is sure to have some regard to the friction which they would encounter in working. But when the legislation must have sanction, not from one man, but from a thousand men, of whom six hundred are elected from different circles of mixed ranks, from diverse localities, where forms and schools of religion, based on variety of thought, prevail; it is evidently impossible that in the laws collectively approved any moral ideas should dominate, except those which are common to all who are morally cultivated. To dread moral considerations in the debates of an English Parliament, lest the morality prevailing in its laws become one-sided and arbitrary, pedantic and ascetic, is so baseless, so wanting in good sense, as scarcely to seem sincere. When people tell us, "we shall be liable to have laws against dancing and card playing, or laws compelling us to go to church, if we insist that legislation ought to study for the public virtue," they not only make themselves ridiculous; they even force us to suspect, that they fear lest vice be repressed in ways inconvenient to the vicious. So much is premised, lest it be imagined or pretended that in pointing at moral limits to beneficial Commerce any morality is desired less broad than that which all noble and well-reputed schools accept,—the morals of mankind. At the same time, what is here advanced, is intended to bear less immediately on law, than on the general tenor of public opinion and practical writing.

Many Economists write, as assuming that it is a step forward in civilization when a barbarous people learn artificial wants. If a New Zealander, instead of being satisfied with a mat for his back, which, made by himself, will last him for years, betakes himself to an English coat which he must buy with a price; which indeed less effectually shields him from wet and sooner wears out; he does that which is convenient to the English trader, but to him is a very doubtful gain: perhaps rather he brings on himself colds, cough and consumption. If a thousand Maoris did the same, the commerce might figure in a Maori budget, and a Maori Economist might point to the new trade as a step forward in national prosperity.—The Zulus, as described by Englishmen who have travelled in Zululand or lived in the midst of them in Natal, are an upright, generous, faithful, honest race; and strange to say, Englishmen, who have such experience of them, are found to corroborate the utterance of Cetchewayo, "A Zulu trained by a missionary is a Zulu spoiled:" that is, when

trained in our habits, they lose their national virtues. How can this be? why should it be? Apparently, because from us they learn artificial wants. While an apron suffices a Zulu for clothing, and a very simple hut for shelter, he can in many ways afford to be hospitable and generous. A man with very few wants has all the feelings of superfluity and wealth, while surrounded by possessions so slender that we count him very poor: and when with an amount of toil which to his hardihood is not at all severe, he can always calculate on providing for himself and family all that their simple habits need, he is not deterred from present generosity by studying for his own future. But if he learn to covet and count necessary a number of articles which require from him threefold labor, he feels himself no longer rich, but poor; then instead of giving small favours gratuitously, he claims to be paid for everything; instead of being princely, he becomes mercenary and stingy. If he imitate the dress, he is liable to envy the wealth of the Englishman, and in schemes of laying up for the future he easily becomes avaricious, perhaps fraudulent. Such are the steps by which one may justly calculate that some or many barbarians degenerate from the normal goodness of their fellows. The artificial wants, which they learn when housed with our missionaries, or imbibe from the crafty allurements of traders, are not *(primâ facie)* a benefit at all, do not conduce to independence, to the sense of wealth, nor to the practice of virtue. They are simply a convenience to the European trader. If a Maori or Zulu chief frown upon such trade, which judgment does he deserve,—to be scolded as barbarous, or to be praised as sagacious? With them, perhaps also with us, to account but few things necessary, is a foundation for many virtues. Our Economists often reverse the picture.

No stress is here laid on the fact, that the historical saints of Christendom thought it an excellence to be satisfied with a minimum of external appliances for the comfort of the body. So much of arbitrary opinion may be imputed reasonably to them, and so much of fancy and credulity to their biographers, that it does not occur to the present writer to account their practices or principles any support to his argument. But the case of Socrates and many other Greek philosophers is different, and much to the point. With them, high thought, cheap feeding and mean circumstantials frequently went together: and perhaps even those philosophers who were somewhat mercenary and rich, would vehemently have renounced the idea, that it is a good thing to acquire habits and tastes which make necessary to us

things previously needless. But there is danger of drawing the reader's thoughts into a new channel by this allusion to Greek philosophers, when an argument of National Economy is chiefly intended, not of personal virtue. As it is better for an individual to be satisfied with supplies that are sufficient, close at hand and easy of attainment, than to have fastidious tastes which cannot be supplied without considerable effort and labor, so it is better for a nation to have a taste for its native products, so far as our lower wants are concerned. If we can get all that the health and strength of the body needs from our own soil, and with small expenditure, this is better for us than to be enslaved to artificial tastes, which multiply labors for mere bodily supply. To fix ideas, let me illustrate the principle here contained by discussing those popular beverages, Tea and Coffee.

Tea undoubtedly, as superseding Beer, Cider and Wine, has wrought much benefit to England, even if it have been (when heavily taxed) dearer than our native intoxicants. When taken with little food in strong and frequent cups, it may often have weakened the nerves; but it does not, like alcohol, pervert the brain and influence the mind, thus leading to folly, vice and crime. The present writer is, and always has been, a Tea drinker; nor have the many assaults on this beverage which have been sent to him shaken his belief, that, taken in moderation, it has no evil comparable to its good. The present argument does not aim to prove that Tea is in itself bad; only, that the too exclusive addiction to it has hurtfully excluded the trial of native beverages, which are perhaps better, certainly cheaper, and far more accessible.

Rigid enemies of alcoholic drink often assure us in poetical and ecstatic language, that water is the only reasonable and right drink for Man as for other animals; but the water which they recommend and describe, as gushing and sparkling in mountain rills, does not come to the hearth and home of every mountain dweller, much less is it attainable by the inhabitants of cities or boggy plains. The hardy beasts of the field, if they can get the water pure, manage to endure its coldness in all seasons: so perhaps might we, if we could recover robustness of the stomach, without losing any advantage of a developed brain. That such recovery is impossible, is not here asserted; but simply that under existing circumstances the water (through its impurities or its coldness) often needs to be cooked, to be warmed, to have then some taste superadded which shall overcome mawkishness. When this is conceded, the question arises, will no native botany

suffice? are we of necessity driven to import Tea from China or Assam? Such are the wonderful and deep harmonies of Nature, that in each long inhabited country the constitution of animals becomes adapted to its plants as well as to its climate, and finds among them not only its food, but its remedies for disease. Native herbs are often found more health-restoring than pretentious foreign drugs; nor is it extravagant to imagine that native leaves and berries might adapt themselves as well to the palate of Englishmen as tea and coffee, and better to their stomachs, if instead of buying from the foreigner we had duly studied our home-resources. In the case of coffee it curiously happens, that there are persons among us who prefer what is called Dandelion Coffee to the coffee of Arabia; and that the preference is sincere seems proved by the accident that the dandelion thus prepared is dearer than the best Mocha. Nor does this dearness weigh against our argument. Twenty years ago brown bread was charged by bakers as fancy bread; ten years ago lentils were double their present price;—in each case because the demand was so uncertain. The price of dandelion would quickly come down, if it were in large and daily request.—As substitutes for tea, many leaves may be named, which will not be called simply medicinal,—prominently those of the sweet bay, the peach, and the black currant. If we were by any cause cut off from tropical markets, some combination would soon be discovered which carried off public preference; and when a national taste in it has once been established, every good purpose would have been attained without the foreign article. Should we not then moralize with wonder over the vast apparatus of great ships which had been built and manned and stored and sent to sea, with loss of sailors' lives, entailing widowhood and orphanhood, for no better reason than to bring back leaves, for which adequate substitutes abound at home? This argument undertakes, not to prove, but to illustrate. It is not specially confined to the case of tea or coffee. It does not make positive assertion that we can now change the English taste, nor does it urge a transition which would be violent, if at all sudden. It merely points to reasonable probabilities, as showing that a vast trade with a distant country to gratify an artificial want, if it prove how much we can afford to spend without being ruined, yet does not at all prove that we enrich ourselves by the exchange.—At the same time, so great is the facility for making drinks, that we might assume higher ground and press our argument further. The deliciousness of Oriental Sherbet is no

matter of doubt or controversy. Its basis is simply barley-water: to flavour it, the foreigner of course uses some of his own fruits, but we have plenty of substitutes at hand, at least while sugar abounds to us. It may be warmed, if necessary: so little need we depend on the Chinese. Besides, some among us are satisfied with, and warmly applaud, the drink prepared from simple oatmeal. If we all had this taste, we should nationally be richer.

It may be retorted, "Did you not name *Sugar?* Do you advocate making Sugar of Beetroot?" But no general renunciation of foreign commerce is for a moment here suggested as expedient. While we buy sugar made from the cane, and save our lands for other uses than beetroot, we presume this commerce to conduce to wealth. Not but that we may suspect the cheapness of sugar to conspire with other causes in slackening our zeal for *Honey*. Bees do not occupy and use up arable land. An abundance of cottage gardens and little rockeries satisfy them. Their depredations do not lessen the sweetness of flowers, nor the savour of herbs. They add to our wealth, at very small expense. By all means let us get from the foreigner what we need; only let us not therefore neglect and forget our native resources.

In other and greater matters a like topic recurs. When the controversy against the Corn Laws was at its height, the advocates of repeal were taunted with wishing to explode native wheat. They replied: "Wheat is now largely sown in England where the climate or soil is unfavourable: in such fields only the culture will be discouraged: where it can be produced and ripened with greater certainty, it will still be grown, and the price will no longer be forced up: the lands less suited to wheat may well yield, either some other grain in rotation, or other needful crop." Valid as this reply seemed, grand and glorious as are the results of opening our ports to foreign corn, the retrospect of thirty years nevertheless suggests new lines of thought. Want of food in Ireland when the Potato-crop failed was the argument which converted Sir Robert Peel; but the desire of selling cotton and woollen fabrics or hardware to those whose "chief *coin*" was wheat, gave an earlier impetus to the Anti-Corn Law League. Cobden and his associates were in the right, and performed well the task of the day; but the existing state of our agriculture is now discerned to be highly unsatisfactory. Every year widens and deepens the conviction that our laws of Land Tenure are fundamentally wrong: indeed they are diverse from those of all the world: if they are not signally

better than those of all other nations, they are gravely and lamentably worse; and the idea now presents itself, that the temporary relief given to us by the free importation of wheat has proved a buttress to an evil system of land-laws, and has blinded us to the essential evils contingent on a perpetual increasing ratio of the population in great towns to that of the rustic districts. Much wealthier, no doubt, we are, and our poorer classes are less hard worked. To dwell on the drawbacks through higher expectations, artificial wants, higher prices of coal, bricks and houses,—not to mention worse matters,—might lead into too long digression. But, to bring out the idea here pointed at, we may speculate as to the results which must have followed, if no foreign markets had been able to give us permanent supplies of necessary food. Suppose that barely we had been able in 1847 to save from starvation as many poor Irishmen as we did save, but that in succeeding years the United Kingdom had been cast on its own resources for grain and cattle: will any one maintain that by a proper use of the land we could not have fed our own population?

If any one is of that opinion, let him consider the phenomena of French agriculture. A century ago France seemed unable to feed her inhabitants. Thousands of the population died of starvation, even the king's own servants. Misery among the peasants and the poorer classes in towns was universal. No one imagined that the country could afford to export food, or had any idea of its vast capacity of production. Her climate is not now superior to what it was; her area is somewhat enlarged by the sagacious plantings on dunes of sand; the soil is improved by a century's tillage; the produce is more valuable, because the peasants have been taught many secrets of fruit culture. Most important of all, millions of peasants are owners of small freeholds. The "magic of property" has made them industrious, saving and ever vigilant to increase and improve the crops. We in England censure and deplore the compulsion on a French parent to divide his petty freehold and his gains equally among his children. If this be a grave evil, yet so much the more remarkable are the marvellous results of the union in one man of landlord, farmer and laborer: for we see that by the universal and untiring industry which this fact elicits, not only were the great extravagances of the second Empire and its wars sustained, but, in spite of the scarcely calculable losses of the Franco-German war, the fine of two hundred and fifty millions sterling, which France had to pay, was paid within four or five years, while a larger army

than ever was raised and maintained. No one can dispute that the unexampled buoyancy of French finance is due mainly to the sound conditions of French landed tenure. Ireland, Scotland and England all await a similar development, and never can be satisfied without it: but we have postponed the day of necessary reform by buying our food of almost every kind, in dangerous amount, from foreign countries, while our own arable land goes back into grass and pasture.

And what reply does the Right Hon. John Bright make, when addressed with a claim of reformed Landed Tenure? His name is here adduced for honour, as an eminent type of the Cobden school; but the habitual reply is: "Good! we are in favour of Free Trade in Land:" as though Free Trade were in itself a charm which can scare away all evils;—as though the existing Freedom to accumulate land to any extent by purchase were not one of our greatest mischiefs. Men cannot live in the air. Land for a dwelling is as essential as air and water. Land is very limited in quantity, especially land conveniently situated, with favourable conditions. Land primitively belongs to a nation, and no man naturally has any right to more of it than he can himself cultivate and use. Large landed estates are a vast power, social and political. Their possession was originally in England an official trust, coupled with political duties and customary dues in payment: but without right of ejectment while those dues were paid. The commercial idea of land is a perversion and abuse. Those who fancy that the abolition of Entails and Primogeniture and whatever makes Conveyances expensive, will bring about the desirable reform, boast that their remedy will hoist up the market price of land: in other words, it would make an effective purchase by the State more and more difficult, more and more burdensome to the community. Nay, it might even delay the necessary reform, until the patience of a nation under a landlord Parliament broke down, and such a revolution followed as that of France under Louis XVI. As there is a moral limit to the magnitude of beneficial commerce with the foreigner, much more is there a moral limit to the beneficial magnitude of landed estates. Happily some despots are philanthropic; yet we are not in love with despotism. Some great landowners are philanthropic: higher honour be to them! But we must calculate that very many will covet power over all who reside on the estate, and will use the power not always kindly; or will employ it as a political engine to win State offices and salaries for their families. Others, more directly and unblushingly mercenary,

will think chiefly how to raise rent, and will forbid both crops and inhabitants, if wealthy lovers of occasional sport outbid ordinary farmers. If from mere pride and love of the romantic, a landlord make his estate a wilderness, the nation still suffers the damage. Its population is cooped into towns or driven into exile, its markets are starved, its military force is lowered. While the Cobden school pertinaciously connives at these great evils, and juggles with the phrase "Free Trade" as if Land were an article which ought to be on the same footing as moveables, they are playing into the hands of their nominal adversaries.

The first measure which we need, is not one which shall facilitate the purchase of new and new estates by the over-wealthy, who, if they are not gamblers or otherwise vicious, often know not what to do with their vast incomes; but much rather a measure which shall set a maximum area for estates. The mildest thing to do, is, not in the first instance to pass any new *Act*, but only a resolution or *Vote* of the Commons, declaring that it is against the public interest for any individual to possess more than a thousand acres of rustic land, or more than five acres of town land; and that whoever bequeaths to one person more than the above named, ought to be subjected to a heavy and special land tax. In the same direction we need other special votes of the House, to the effect,—that by legislation, by purchase and by taxation the recovery of the national soil for the nation from year to year ought to be systematically pursued, wherever now held in large masses by bodies of men or by individuals; and that in order to give to cultivators the full results of their own industry, it is expedient that the State out of its own present or future domains carve out numerous small farms to be held under it as by copyright tenure, not subject to rise of Rent. Space does not permit further detail, or reply to objections; but the idea intended, is, to work in the direction of *virtual* freeholds, ever increasing in number, which cannot be bought out of the hands of the cultivators by tempting prices from the rich, because they are legally State property and destined to remain as areas of small culture. By buying up from time to time the lands possessed by large Charities, by legacy taxes directed to discourage bequests of land in great mass, and by direct purchases of land or rather by taking the legacy tax in land itself, the State would beneficently in the course of many generations undo the injustices and frauds of the past.

Land is so far from being a desirable object of unlimited commerce (called by the Cobden school Free Trade), that,

especially under the modern interpretation which makes the lord (or chief man) *owner* of the land, the most jealous limitations ought to be imposed on it by the State. So long indeed as a man holds no more of it than one family can cultivate, jealousy is needless; for the holder (especially if he pay a quit rent for it) is sure to cultivate it, and cannot offend by excluding population. Town land ought, as soon as possible, to become town property, and, meanwhile as early as possible, all town building to be subjected to a public veto for sanitary reasons. To make away into mercenary hands, as an article of trade, the whole solid area on which a nation lives, is astonishing as an idea of Statesmanship. There is another matter connected with Land as to which the State may justly feel great jealousy,—namely, as to the consumption and exportation of material which cannot be reproduced. It is said that Sicily, under the Romans first, was largely deteriorated by the perpetual exportation of corn, exhausting even very fertile soil. Ireland in the past may have suffered by the constant sending out of cattle and pigs, with no back current of commerce to restore all that their bones and flesh took out of the earth. Virginia and other States of the American Union largely ruined their soil by unceasing exportation of tobacco and other products. But to come closer home, no crops of coal can be grown in England and Wales. We reap where we have not sown, where we cannot sow. We export in enormous mass, what we cannot reproduce. We allow individuals to become, out and out, proprietors of the national coal, and then sanction their unlimited exportation of it, with the high probability that this may cripple industry in the near future of England. This surely is a commerce, the benefit of which is very doubtful even in a cosmopolitan view. It may seem better to stimulate other nations to search for coal on their own soil, than to use up what we cannot replace.—And as for some other articles of immense commerce, as tobacco, it may seem doubtful which nation loses more by it,—the importers or the exporters. Surely in all these cases the quality of the things bought and sold must be considered carefully, before we regard the magnitude of any trade a national benefit or a source of national wealth.

ON LAND AS STATE PROPERTY.

[A Lecture at Clifton, March, 1883.]

The question which I have to treat is not one for Political Economists, it belongs to Morals, Politics, and History. To make this clear, I must compare our movement to that against slavery. Wherever slavery exists by law, economists and lawyers regard slaves as chattels.

What articles shall be marketable, what not, the law decides, not economic science.

The abolitionists attack the law as unjust and immoral; if the economists reply that the slave is better off in slavery, we rejoin, let *him* judge of that.

Such argument is one about moral right, not about market prices. So here, our question is on the right of accounting land an ordinary chattel. We allege that it ought not to be, that it cannot be without injustice: that great injustice, not to farmers only, but to the whole nation, results from existing land tenure: that cultivators ought to have duties imposed and rights guaranteed, but over them should rule impartial law, not a modern landowner. Now, when we claim a change of bad law, we are met as slave-owners met abolitionists. Abolitionists said: "Let us have a compromise: let us buy you out." Slave-owners replied: "No thanks for the offer: we value *power*, we will not listen to you." Nothing was left but to preach the immorality of slavery; so now: landlords stick to their *power*. Land gives political influence, and makes the whole neighbourhood a virtual serfdom in many cases. While we see in the landlord class many whom we highly esteem, we are forced to make our first attack on their *power* as essentially unjust—nay, and in fact, acquired by an indefensible series of encroachments and misuse of the legislator's very important trust.

Among professed English economists, J. S. Mill was the earliest to proclaim a cardinal fact of our history, namely, that in old days the landlord's rent was fixed by *custom* not by *competition;* that he had no legal right of ejection while his legal dues were paid;

that he was not a land*owner*, but only the chief out of many who had joint interest in the land. It is wonderful how anyone can avoid seeing that our modern landlords claim more than Royal powers. No English *King* was ever the *owner* of the English soil, or ever dreamed that he had a legal right to drive the population into exile. A few economists have been our faithful instructors, but Ireland and Scotland have been to us far more forcible inculcators of truth.

When institutions violate justice, a nation has to learn not from economists, nor from moralists or preachers, but from most unwelcome and awful events.

Tenant-right was established by custom in Ulster, yet was vainly claimed in Parliament for the rest of Ireland forty years ago. Nevertheless, *now* the Prime Minister, with a decisive majority of the House of Commons, has avowed that a landlord *ought not to be a huge sponge to drain a tenant's vitals, and has no right to reap where he has not sown.* So overwhelming to the conscience is this truth, that the House of Lords did not venture to resist the passing of a measure, which in hostile quarters is called *confiscation.* Public outcry and pressing danger teach the unteachable.

The landlords' power presses on the farmers directly; but by squeezing them hard it impoverishes the laborers, and drives rustics into the towns, which become the sink into which the rural misery drains. Thus their competition injures the towns-folk. Beyond all this, the towns have to pay enormous sums for crude materials, which the landlords claim as their own, and for every square foot of space which for any reason is needed. The landlords, as a class, hold *that* for which, as a class, they never did anything except perhaps seize it by sword and spear, oftener by craft of law.

Naturally, everywhere chiefly the farmers are on the alert in all three kingdoms; but the towns-folk are awaking also.

The National Reform Society of Manchester last year put forth an ample address against the existing land-tenure. The remedy they propose seems to me quite inadequate; but they show in one sentence their distinct aim. They say to us: "Sweep away the iniquitous presumption of law, that whatever is put into the freehold belongs to the freeholder"—that is, to the landlord. Here is the central position of Land Reformers. They deny that a landlord has any right to appropriate the fruit of his tenant's industry, or to cripple that industry by dictating its processes, or to enslave tenants by arbitrary rules of the estate.

To this, from the landlord's side, reply is made. "Then you wish to turn the landlords into mere annuitants?" Land-tenure reformers are bound to avow, "*Certainly we do.*" No other reply is logical. To talk about *Free Trade in land* is a weak attempt to make political capital out of the phrase, "Free Trade." Land, like air and water, is essential to human life, and, being extremely limited in quantity, even on that ground is not an article in which trade *ought* to be free.

I cannot claim our esteemed President, Alfred Russel Wallace, as on my side when I say that in *my* opinion the very first thing to be desired is a vote of the Commons that it is against the public interest for any one person to hold more than 500 acres —nay, I wish that no commercial society be allowed to hold more than 10,000 acres. But that those who wish to pass as Land Reformers should desire to facilitate the buying up of land by wealthy merchants, manufacturers, and lawyers, Mr. Wallace and all of his society regard with wonder and grave disapproval. We believe that Land Reformers in Manchester and Birmingham will ere long see the truth which J. S. Mill long since avowed to a Committee of the House of Commons. When asked what he thought to be the chief burden on the land, he replied: "Really, I am not aware of any burden on the land, except the landlord." In feudal times the landlord discharged needful duties to the State. He was a great political officer, who, in payment for his services, received revenues and rights proportioned to them. His only special duty to the State now is to act as sheriff when his turn comes.

Politically, the class has annihilated its own functions; it ought simultaneously to have surrendered its revenues. Commercially, it has no duties, no services; it is not only superfluous but mischievous.

It is but the other day that a case of grievous iniquity from a landlord to an innocent, upright tenant was pressed on the notice of Sir W. Vernon Harcourt, Home Secretary. The public Press reported his reply to be: "He was sorry for the tenant, but the landlord had only used his extreme legal power." In other words, he condemned the law for granting him such power. And remember, it is a law *made by landlords* in their own interest, against tenants and against the nation. From the beginning of Parliaments landlords have had overwhelming superiority in both Houses.

Those who wish to see the terrible facts even of this century, and many recent, should read Mr. Wallace's treatise. The late

Sir David Wedderburn, M.P., among his last words, I am told, declared that Mr. Wallace's summary is an unanswerable condemnation of the landlord's power. That power, having no tendency whatever to assist the production of food, has no commercial reason for existing at all, Nor is the landlord any longer an officer of State. Therefore, his power ought to be not lowered but annihilated. Once annihilated, it will never trouble us again. Free trade in Ireland has not mitigated the evil; if you try merely to reduce their power, but leave the landlords in possession, with all the remembrances and habits of the past, you will find the mischief perpetually growing up anew.

Allow me to digress for a moment in answer to an objection. A well-meaning friend said to me, "Of course, you can make an apparently strong case by laying stress on the scandalous frauds of the past; but such reasoning is fallacious. It will not do to rip up old histories. The past is awfully full of iniquity, but we cannot heal old wounds by tearing open new ones. We must not go back longer than, say, sixty years, just as in claiming an estate." I reply, Your argument is partly true and partly false, as is easily seen if you look below the surface. Our question ought never to be, *How many years old* is an injustice, but simply, *has lapse of time worn out its evil?* Each separate case must be looked at separately.

Suppose that a hundred years ago a man fraudulently got possession of an estate, ejecting the rightful heir, and left it to his own heirs. Three generations may since have grown up; on one side descendants who know nothing of the wrong suffered by their ancestor, on the other an individual personally guiltless. To eject the present holder of the estate and divide it among the descendants of the injured man would not be the pedantry of justice, but a cruel and useless pedantry. *If some person must hold an estate*, a hundred years possession ought to be as good a legal title as a thousand. The old injustice has worn itself out by time.

But now take a different case. A man has a number of slaves, and pleads that "they are his rightful chattels, because their ancestors were stolen from Africa more than sixty years ago—an old injustice which ought not now to be recalled to memory." We reply for the slaves: "That old injustice has not died out; you keep it alive month by month, in claiming the slave's labor and time as your own, and the free whip in your hand to terrify and unman him. The longer each has served you, the greater is your debt to each."

Very similar in principle is the case where serfdom exists instead of slavery, or where, as in Ireland and old England,

conquerors, by stealing the land from the cultivators, compel them to buy the means of life under very iniquitous conditions. The evil of the original robbery is in that case pepetuated to this day, as in the case of inherited slavery.

I insist to my friend that in the case of a modern landlord's rent our first question must be whether the original injustice has worn itself out, or, on the contrary, has perpetuated itself.

The theft of cattle, a murderous deed, damage by fire, nearly every separate crime vanishes by mere lapse of time; but unjust law retains its vitality for ever. Age does not wear it out, does not make it sacred, but intensifies the mischief.

Old laws are laws made in barbarous times by rude conquerors, reckless of justice, and scornful of any right in the conquered. When institutions violently imposed continue active for injustice, the craft of evil conservatism pretends that the injustice is sacred because it is old. Robbery of men's bodies, and robbery of a nation's land have close analogies. The unjust origin of the claim, however ancient, absolutely needs to be "ripped open."

After thus justifying our right to deal with the landlord's power historically, I approach the history, and accuse the class collectively of injustice under five main heads.

The first great encroachment can be discerned as a fact, but cannot be assigned to a definite era. It consists in the enormous extension of claims for every lord of the manor. It is certain that wild land was not imagined to be a property in old days. The moors and bogs, the hillsides and the sea-coast imposed on the baron the duty of maintaining the King's peace against marauders, but yielded to him no revenue. Of course, being a public officer, he took stone from the quarry, timber and fuel from the forest, gravel from the sea-beach, whenever the public service needed it. Supplies open to all ought never to have been made private property, but to be reserved to feed the local treasury, except where claimed for the Crown. I must leave to historians the question how far the Crusades, how far the French wars of Edward III. and Henry V., how far our intervening civil war facilitated inobservance of encroachment by lords of the manor. During or after the Wars of the Roses, many of these lords ceased to covet large bands of retainers, and tried to gather wealth instead, claiming for themselves all the minerals, the wild birds, the fish in the streams, the forests, except those which were royal, and every strip of neglected land. The King had something else to do than to call them to account.

Now, as a simple illustration what comes from this *at the present day*, I will read a statement from a pamphlet by Mr. S. Wellington of Liscard, concerning the docks of Liverpool, of which I have received an early copy.

Close to Liverpool was a barren waste on the edge of the sea, called the Sands of Bootle. No value had been found in them; no money had been spent on them, until Liverpool wished to enlarge her docks. Hereupon the lord of the manor stepped in, and exacted, according to the writer, about £200,000 for leave to turn the area into service. The burden, he says, of £8,000 a-year for ever is laid on the ratepayers of Liverpool. He asks, What have the Earls of Derby done to justify their claim to the docks, thereby extorting a huge sum, making the Sands of Bootle a gold mine to themselves, merely because an industrious town needed them.

Surely this appropriating of public sources of revenue ought not to go on for ever. Payments made for leave to exercise industry, whether in mining or quarrying, in hunting or fishing, in raising structures in empty places, can have no moral ground, except as dues for protection,—that is, as a tax to the protecting *State*. All such revenues belong either to the central or to some local exchequer—never justly to a private person. Even if the present holders could cite a Parliamentary Statute which had bestowed such revenues upon them and their heirs for ever, this would be no justification, but would simply prove a corrupt and guilty abuse of law-making. One thing only forbids an instantaneous resumption of such revenues, viz., that they have been innocently bought for large sums, which it is cruel to confiscate. Whatever sum has actually been paid down within 100 years for the seignoralty of mines, quarries, or fisheries, would (no doubt) be repaid in any tranquil and reasonable settlement.

A *second* and still worse usurpation we charge against the landlord class, perpetrated in the reign of Henry VIII. His father saw the beginning of it, and acted vigorously against it. Certain landlords began to eject their tenants in order to make great sheep-farms and raise wool for export. The King threatened to imprison a landlord in the Tower for this offence, and (perhaps under his pressure) the Parliament enacted the Statutes of Tillage to prevent the turning of arable land into pasture. But under Henry VIII. the quarrel was literally fought out in local agrarian wars. I am told the Rolls of Parliament are not complete enough to make the detailed history certain. This defect cannot much concern us now, but it is probable that the

Parliament sided with the landlords against the tenants and laborers, while the King was bent on keeping the great lords with him in his quarrel with the Pope. Foreign troops were called in to crush the insurgent farmers and peasants. In the words of Colonel Ouvery, of the Cobden Club, England was conquered a *second time*, not this time by a king, but by the landed aristocracy, which hereby established its claim to eject tenants at its own will, and change customary payments, which were of the nature of a publicly enacted tax, into a modern rent of competition, as in a local auction of private goods. *This is the critical change*, which enables the landlord to squeeze out by increase of rent, the life-earnings of the tenant.

The evil of this violent overthrow of the previous tenure has not at all worn itself out. It subsists in greater force than ever, by reason of our increase in population, and the greater scarcity of land, and the need of larger revenues for good government. For any practical reform we must deny the right of landlords to "compensation" in any mercantile interpretation of the word. We must not forget that, however unaware, they are holders of stolen property.

If justice could be wisely and rightly separated from mercy, they might be treated as rudely and curtly as their ancestors under Henry VIII. treated the farmers and peasants whom they massacred and hanged by the roadside. But Mr. Wallace and his society desire national harmony and universal welfare. While insisting on national rights, we wish to respect both the innocence of those who inherit a false position and their family affection. Even a Duke is aware that his great-grandchildren may be poor plebeians. No one can tenderly love unborn descendants. If Government annuities are secured not only to existing landlords, but to such living children as they may select for their heirs, family *affection* is hereby tenderly considered. Only their family *pride* is sacrificed in the possible vanishing of a family name. I cannot believe that when the history is duly pondered, a wise nation will award to the landlord class anything beyond what *merciful consideration* dictates.

I proceed to a *third* scandalous act of the same party, under the evil of which we have been suffering for more than two centuries. It was a fraud on the nation too gross to attribute to inadvertence. I refer to the settlement made by the aristocracy with Charles II. when welcoming him back to the Throne. No doubt they had been worried and harassed by the Royal power in all former reigns. The irregularity, arbitrary character, and vexatiousness

of feudal demands, whether of the King from vassals, or of landlords from tenants, needed systematic arrangement. During the Commonwealth, the King's worst demands had vanished with the King. After twelve years of comparative freedom, besides the six of civil war, they were not disposed to put their necks under the yoke again. They had gradually shaken off the worst burdens from themselves. They now stipulated with the King for a sweeping annihilation of the old system, so far as concerned their own liabilities, while they retained as *private* property the revenues which had been granted to their predecessors, as State officers, solely for public services. It may be asked, "Why did the King agree to this?" First of all, he was not in a hurry to quarrel with the party that was helping him back into the Throne. Next, they held out to him a bribe, greater than any which his father had been able to get. You will find it (if I must quote some history) in Charles Knight's "History of England," a writer who is never hard upon the powerful. "The Parliament (says he) made a bargain to relieve the landed proprietors, but made it at the expense of the commonalty." "Charles was rendered more independent of Parliament than his father or grandfather or Queen Elizabeth had been." But how so? They voted the subsidy of tonnage and poundage *for the term of the King's life*. They also granted to him and his successors the excise of beer and other liquors. "The two great sources of modern revenue (says C. Knight) were thus placed absolutely in the King's hands." I suppose he means *Customs and Excise*. This landlord Parliament cannot have been unaware that they were shifting their own righteous liabilities on to the industrious commonalty for whom they (as legislators) were trustees.

A *fourth* scandalous fraud admits of obvious remedy as soon as a majority in the Commons resolves on it. The profligacy of Charles II., and the expenses of his war with the Dutch, next the wars with Ireland and with France consequent on the expulsion of James II., again and again emptied the Treasury. The total exemption for which the landlords had hoped, proved quite impossible. The State had largely rested on their payments and service. Excise was a new tax, customs in those days were not profitable as now. The landlords where forced either to tax themselves, or let all go to ruin. They tried smaller votes, but the crippled Exchequer could not recover itself, and was unequal to the public services. At last, in 1692, the landlords in Parliament consented to pay one-fifth part of their revenue to the State—a small fraction indeed, when they had got rid of their

feudal duties. It ought to have been honourably carried out. A valuation of the total rent was made in that year. Nearly 200 years have passed, and no new valuation has been made. When Mr. Pitt was taxing the industrious without mercy, because *they were helpless*, he allowed the landlords to redeem their land-tax on the old valuation, which he must have known to be a great fraud; but they were too strong for him. The fraud is enormously greater now. I see it is believed by some who have inquired, that instead of bringing in eleven hundred thousand pounds, as the land tax does now on the valuation of 1692, a new valuation would raise it to thirty millions a year, some even think forty. Without danger of exaggeration, it seems that now, and for years past, the Chancellor of the Exchequer finds it prudent to wink at the landlords paying to the Treasury twenty-eight millions a year too little.

With such a fact in front of the nation—a fact so easy to understand—every prudent friend of the landlords ought to warn them how very dangerous is their position. Mr. A. R. Wallace (I take leave to say) comes to them as did the Roman Sibyl to King Tarquin. He proposes a mild and considerate compromise, which cherishes their family affection, and lets them off easily for the past. Behind this gentle voice louder and fiercer demands are made, that we must call on the landlord class "to pay up all of which they have cheated the nation," for an excited multitude does not accept the excuse that the fault has lain with the Chancellor of the Exchequer. The longer the payment to the Sibyl is deferred, the heavier it is likely to be made. When gentle counsels effect nothing, stern violence presently rides on the storm. Mr. Wallace does not overlook the case of those who have purchased land recently; and if we deal with mercy and equity as distinct from the market and Stock Exchange, allowance will be made for these cases, and I hope it will. But if the landlords assume the arguments which their unwise advocates make for them, the danger is grave of their provoking claims of justice severely painful and almost ruinous to them. Some calculate their fraud on the Treasury in 200 years to exceed the value of their estates.

A *fifth* accusation against the landlord class remains to be named, their voting of common land to themselves, besides manifold encroachment on roads and usurpation of public paths and lanes. Whatever was the benefit of commons to the poor was a benefit to each generation in turn. No poor man could claim to sell the inheritance of those who were to come after him.

Even if the commons had been simply divided among the poor and made saleable, the measure would, as its chief result, have enabled the rich man to buy up all the little plots to the loss of the next generation; but, in fact, the poor have scarcely had a fraction of the land allowed them. The plea that the commons were wanted to raise food is hollow; they might have been cultivated as public land, and the rent have been made the due of some local treasury. In fact the landlords have taken nearly all. And what was the amount? I find it stated that in 1845 the Royal Commission estimated that since 1710 above seven million acres had been appropriated by private Acts of Parliament. Also, it is estimated that since 1845, by what are called *public* Acts (a skilful device to prevent alarm being taken in a special locality), they have got about 800,000 acres more.

Thus far I have spoken of *rural land*, but town and building land generally is also a very great subject. Landlords cannot be forced to sell land except by Act of Parliament; therefore they can always compel builders and the public to submit to *building-leases*, which not only reserve vexatious power in the hands of the landlord, but enable him to enforce that at the end of the leases the house shall be his absolute property. Leases of 99 years are thought liberal; sometimes I hear of building leases for 63 years. So enormous and irresistible is the power which this iniquitous institution of private property in land makes over to an individual! That the land over which our great cities are spread should not have been made the property of those cities while it remained unbuilt on, is a testimony to the excessive folly of the institutions under which this intelligent and industrious nation is doomed to live and toil.

I have thus set before you the malversation of the landlord class, because without it justice cannot be done to claims vital to the nation. Two questions must now be answered. First. How are we to avoid the danger of jobbing, favouritism, nay, of despotism if the land be made the nation's property? Next, on what principle are our life annuities to the landlord class to be settled?

Mr. Wallace gives quite a list of names high in repute, who with us condemn and deplore the despotism which our law vests in landlords, yet dare not recommend nationalization. J. Stuart Mill was one of them. I confess that for long years back I looked on landlords as a deplorable necessity; for I thought we had to choose between despotism of the Executive (if not of the Crown, yet of a Bureaucracy) and the despotism of landlords. And

looking to India, and perhaps old Egypt, I, on the whole, preferred a thousand petty despots under a Crown to a despotic Crown. I am surprized at the simple, natural, and (one might have thought) obvious suggestion by which Mr. Wallace has dissipated all my fears; and I think that J. Stuart Mill, if he were alive, would be among his converts. What then is his solution? He would not allow the Executive Government any particle of influence over the possession, management, or rent of land; but would have every pratical detail settled by Local Land Courts, which, under the sacred engagements of justice, should decide every case brought before them according to principles previously laid down. I can invent in my own mind cases puzzling to a Law Court, and I cannot undertake on the spot to clear up imaginary difficulties. Inquiring minds must read Mr. Wallace's details, and think them over. Be the difficulties what they may, lawyers when once set to the task will solve them, if general principles are fitly laid down.

Next, as to the principle on which the State Annuities for landlords are to be assessed. Mr. Wallace maintains that every rent can be divided into two parts, *first*, that which is paid for the area and site, independently of what cultivation has added; next, what is due to buildings, fences, drains, private roads, and culture of soil. We cannot reclaim for dead tenants what ought to have been theirs. *His scheme leaves to the landlord all that tenants for eight hundred years have wrought into the soil.* It claims as taxable only that value which neither landlords nor tenants have given. For myself, I wait with interest to see the separation of the two parts of rent made. I by no means say that it is ordinarily impossible, but I have never overcome misgivings. So much I freely confess; we all are learners. But this confession does not for a moment damp my conviction that our problem is feasible as well as just, for I hold nearly by the doctrine of my friend already alluded to, who forbids our estimate to go back more than (say) sixty years. Well, we may argue, the nation has a right to reckon for the year in which our currency regained its normal state after bank-notes were again paid in gold, say, 1822. This is about sixty years. The nation has a right to refuse to an expropriated landlord a higher annuity than the rent which was received on his fields in 1822, *plus* whatever *he can prove* that he or his predecessor since 1822 has spent on these fields and buildings. Whatever has been so spent in these years, it will, in general, be easy to prove; and we can fall back on this estimate if Mr. Wallace's method fails us.

I feel it important to have this alternative, because of the diverse theory of rent in different schools of economy. To discuss these I have no time now, yet I am tempted to a short statement. Opposite as are the two theories, English and American, they most curiously agree in representing the landlord to be a mere sponge, or a parasitical insect which fattens on other men's toil. According to Ricardo, no rent is possible until impoverishment of the community begins; after which, the greater the toil needed to raise food, the higher the rent rises. According to Carey, rent consists *solely* in the increased value which human labor has added to the soil; so that if a landlord expects anything more than the return of his own capital expended on an estate he is unjust. The contrast of the two theories is indeed grotesque. Ricardo formed his, I believe, out of his fancy, for he had no history of the *order* in which the various soils of China, India, Bactria, Media, Mesopotamia, and Egypt were successively cultivated; but *he assumes* (apparently as an axiom) that men are sure to cultivate all the best soils of a country *first*, and have recourse to the worse soils at last only from necessity. That sounds natural, and is plausible. Even J. Stuart Mill accepted the theory, but with important modifications, which we all see it to need. This is pre-eminently the English theory, and it passes here as ascertained science. But in America economists are able to inquire on a larger scale into the *fact*, what soils do men first cultivate when occupying a new land; and the reply always is, "The only soils, good or bad, which they find it *possible* to cultivate"—namely, those which are not covered with swamp or brushwood, or unmanageable forest; and, practically, this means they begin on thin and dry soils *generally poor;* and only after population has multiplied are they able to drain marshes, and clear forests, and make roads on which heavy materials of the soil can be transported, and thus to get at the better soils, and so to treat them with manures as to bring out their high fertility. The induction which the American economist Carey makes from the vast American experience appears to me to shatter to pieces Ricardo's theory, which has no basis of fact. But to say this, is not to deny that savage man *ever* alights on soil at once eminently fertile, and to him quite accessible. Such apparently now is the soil of Manitoba. Such were Podolia and the Ukraine to the agricultural Scythians of whom Herodotus tells us. Such is the great plain of Hungary. But these are exceptional. Ricardo has added to Adam Smith concerning rent, but the addition is not a clear improvement. In any case, no theory

of rent affects the assertion of this lecture, that the class of English landlords has grievously abused its power of legislation, using that power to commit enormous fraud on the *nation*—fraud for which it is high time to call it to account.

In moving for the Repeal of the Corn Laws we acted according to our best light in that day. But we did not then know that the admission of food from abroad would postpone for another generation the just and necessary move against landlord despotism: much less did we imagine that after the admittance of foreign corn, and after the Irish famine, rents would continue to rise for thirty years; such is the intensity of power which landlord supremacy in Parliament for six centuries has achieved. If landlords had only been only a little less than angels, no other result could have been expected from so long a career of supremacy, unchecked by farmers or laborers, by merchants or manufacturers. But the last buttresses of their power are falling. The farmers are no longer deceivable. The penny newspapers make even rustics think; and all thoughtful friends of the landlords ought to see, that for a class which has misused high power a prompt and willing settlement is far wiser than proud contumacy and talk of its sacred rights.

M'CULLOCH ON TAXATION.*

[Reprinted from "Frazer's Magazine," August, 1863.]

It is not as a mere economist that Mr. M'Culloch writes, but as a practical statesman, whose duty it is to incorporate with law so much of economic science as practical entanglements permit. It requires a mind alike comprehensive of generalities and apprehensive of details, to present any systematic policy of taxation that shall deserve to command respect from the opposite factions of a State: indeed, one class of politicians thinks that a Government cannot be too rich, and desires that it may always have an ample surplus; another believes that it needs to be kept poor and dependent. Between these combatants no economist can successfully mediate; yet we are far from deprecating such an attempt as that of Mr. M'Culloch, nor can we read the publications of the Liverpool Financial Reform Society without seeing how needful is a work of the kind.

It can be no secret to our readers that Liverpool is the energetic centre of financial reformers, whose guiding policy is to supplant all *indirect* by *direct* taxation. Sad experience teaches active reformers (from Bentham downwards, if we remember) to look on the Executive government as a foreign and hostile power, which must be counteracted by incessant vigilance. Its stratagems are to be feared still more than its open force: it wants to fan you to sleep with vampire wings while it stealthily sucks your blood. Your resolve must be to bleed (if needs be) in open battle alone, and count every drop that is drawn from your veins. Direct taxation is the naked sword, which we resist, as best we may, by fence, by shield, or by screaming. Indirect taxation is the milking process, stealthy, fraudulent, and wasteful at the best, often crippling to industry, and most unjust to tradesmen—by which a horse-leech government sucks the people

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* *A Treatise on Taxation and the Funding System.* By J. R. M'Culloch, Esq. Third Edition, revised, corrected, and improved. Edinburgh: Adam and Charles Black. 1863.

dry. Such, we think, is substantially the conviction and doctrine of the Financial Reform Society. On the contrary, Mr. M'Culloch (lamenting the many important steps which have been taken practically in their direction) strongly *deprecates* direct taxation, and advocates a wisely-moderated and carefully-studied system of taxation wholly indirect. We are not sure that he gives due weight to some of the objections pressed by the opposite party: we incline to say that he much under-estimates them. But on the one hand no reasonable and beneficial scheme can be established on the basis of crippling and pinching the executive. Is it unreasonable to trust, that where we have publicity, free speech, and good sense, it will be impossible to disguise from the public any real evils in a special indirect tax? On the other hand, while we duly estimate the pure intentions of the Liverpool reformers, we cannot shut our eyes to the ever-increasing tendency to rest the public revenue on too few supports; and Mr. M'Culloch's energetic and continued protest is the more needed, when the currents of the Cabinet and the general tide of commercial opinion are drifting us towards the same danger.

In political constitutions, because there are serious defects and evils in every scheme which vests power in a single class, therefore we esteem any mixed constitution that will work at all, to be better, however illogical, than any of the simpler systems. Just so in taxation, because every tax becomes pernicious as soon as it is heavy enough to be felt, therefore our wisdom consists in doing our utmost to make each separate tax light; after which we need not be greatly concerned if taxes be very numerous. It is impossible to state this better than in the words used by Mr. Arthur Young in the last century, which were quoted with approbation in the House of Commons by the late lamented Sir George Lewis in 1857. Mr. M'Culloch reproduces them as summing up his own views (p. 232):—

> The taxes of England are infinitely various; much more so than those of France, especially in the article of excises and stamps. Our taxes are also very great; in proportion to the population of the kingdom, much more than double those of France: yet with this vast burden, they are borne by the people with much more ease than the French nation bears less than the half. This is to be attributed not to one cause only, but to many; but among those causes will be found, I believe, this great variety of points on which they bear. The mere circumstance of taxes being very numerous in order to raise a given sum is a considerable step towards equality in the burden falling on the people. If I were to define a good system of taxation, it should be that of *bearing lightly on an infinite number of points, heavily on none.* In other words, that simplicity in taxation is the greatest additional weight that can be given to taxes, and ought in every country to be most sedulously avoided.

After quoting this passage, Sir G. C. Lewis added:—

That opinion, though contrary to much that we hear at the present day, seems to me full of wisdom, and to be a most useful practical guide in the arrangement of a system of taxation.

Mr. M'Culloch, urging the same argument, says:—

We do not feel the pressure of the atmosphere, because it presses equally on every part of the body; and every one in any degree familiar with gymnastics knows, that burdens which, though heavy, are properly distributed, are borne without difficulty. In like manner, a well-devised system of taxation, or one that drew its supplies from a great variety of sources, would hardly, unless it were carried beyond all reasonable limits, be felt to be in any degree injurious. But when taxation is confined to a few deep channels, they necessarily drain certain parts of the body politic more than others, and it consequently becomes unequal and oppressive.

Financial reformers in general address themselves to a problem essentially different from that of Mr. M'Culloch. *He* assumes a given amount of income to be provided: *they* hope to reduce the amount by not providing it. We admit to them, and lament with them, that a large part of the public revenue is misspent. It does not belong to us to palliate the offence, or excuse it morally; but if there be an immoral perversity in those who have the handling of public money, so very partial benefit is gained by lessening *the total amount*, that it is not from this side that we are willing to struggle for a remedy, much less to aid in making the taxation more painful in order that it may be resisted. Such a mode of alleviating the public burdens we deprecate as warmly as can Mr. M'Culloch: consequently, in what follows, we confine ourselves to that form of the problem with which alone he deals. Let it be presumed that in future we need to raise not less than sixty-five millions a year, and that the practical question is by what taxes so large a sum is to be provided.

The Liverpool school could not honestly propose to raise sixty-five or sixty millions by any direct taxation: they profess to desire a large reduction; but if we were to retrace our steps with ever so great boldness, it is hard to imagine that their goal could in any case be attained. Let four millions be struck off on account of the colonies, and nothing be spent on India; let Gibraltar be sold to Spain; let two millions be saved by the falling in of Long Annuities; let the African Coast blockade be given up; let war with Japan or Russia be eschewed; let the scheme of fortifications be abandoned, and all vying in armaments come to an end: still it would not be easy for Cobden, Bright, Milner Gibson, and Robertson Gladstone themselves (supposing them to hold the helm of State) to bring the public

expenditure down to fifty millions; and this sum could in no case be raised by direct taxes. The attempt to pay even the interest of the public debt by an income tax would involve distress so severe as to defeat the scheme, partly through the evasions which it would create, partly through the crippling of trade which it would cause (temporarily at least) by the lessened consumption of high luxuries.

At the same time, the school of reformers which condemns indirect, and cries for direct taxation, is hostile to an *income* tax as distinct from a *property* tax. We desire to do them no injustice. Some years ago we took special pains to learn what views were held on this critical point by the Liverpool Financial Reform Society; but either through their fault or our own we were unable to elicit from them any practical scheme or any theory but that which appears so grossly unjust and absurd that we are not at liberty to describe it in our own words, lest we do injustice to gentlemen of intelligence, high character, and pure intention. On this account we shall say what we have to say on the distinction of income and property tax (which Mr. M'Culloch develops rather less fully than it deserves), not as charging it upon any person or society, but as a theory darkly cherished in many minds which neglect to work out its full meaning. There are those, often to be met in company, who say: "Do not tax brains and sinews: tax only property after it is made: tax that of which you can really lay hold—material, tangible substance." What does this mean? Is not all money, the moment it has been earned, material and tangible? The talk of "brains and sinews" can mean nothing but this—that not the whole profits of trade are to be taxed, but only that portion of the profit which may be called pure interest. Thus if two men possess £1000 each, and one invest his money in consols, and receive £35 a year, while the other employs it in active business, with exertion and risk, and earns £100 or £120 a year, the latter ought not to be taxed for the product of his "brain and sinew," but only on the £35 which he might have earned, like the other, without exertion, superintendence or risk. We have found that this illustration is eagerly adopted; and the inference is brought out that the tax ought to be levied, not on the *income*, but *on the capital* which a man possesses; and this is what many profess *they mean* in contrasting a property tax to an income tax.

When we inquire what is to be done with the man who, from distrusting the Government security, or any other cause, locks up his £1000 in his own secret place, the first reply will probably

be: "Yes: if he is so foolish, he deserves to suffer;" but on second thoughts we believe that reply will be found untenable; for it will amount to this, that *all* property shall be taxed, whether it yield income or not. We have met advocates of the property tax hardy enough to stickle even for this: hence it is not useless to go through with that theory to the end.

On this, Mr. M'Culloch observes (p. 107):—

A. has a farm, a house, or a shop, let to a substantial tenant, who pays his rent punctually: B. has a property of the same kind and of the same value, but it happens to be let to a bad tenant unable to pay rent. In like manner, one shipowner has a ship at sea, making a profitable voyage, while that of another is in port unemployed. The furnaces of one ironmaster are in blast, while those of others are out of blast; and so in fifty other instances. And such being the case, could anything be more unfair—more completely at variance with the principle of proportioning taxes to the abilities of the contributors—than to subject parties placed under such different circumstances to the same rate of taxation.

This might appear quite decisive; yet there are those who not only are not convinced by it, but insist that all property whatsoever, everything that can sell, should be taxed on its selling-price, although it be not capital destined to reproduction, nor capable of yielding income.

It will follow that the nobleman who spends £1000 on jewels for his wife and daughters shall be taxed, year by year, for those jewels as though they yielded him £35 a year. For the pictures which he buys or inherits; for the sculpture adorning his grounds, he is to pay tax in proportion to their value. The humble scholar will have to pay upon his library if, instead of smoking out his money in well-taxed cigars, he be indiscreet enough to purchase books: nay, if by skill and activity he pick up for £20 (using "brain and sinew" to cheapen them) books for which a regular bookseller would demand £70, and a regular binder charge £30 more for the binding, the fortunate student will pay tax on his books as worth £100. Nor is this the worst: all our private possessions will be open to the inspection of the taxing officers, who must have a right either of valuing every article arbitrarily, or of summoning us to some appreciator as the judge. Every trinket, every mourning-ring, bequeathed or given, is property, has value, and becomes taxable in proportion to its estimated value. No one could make a gift to a friend without inflicting a tax on him. Men would then sedulously depreciate the pictures on their walls. We need not press the difficulty of estimating the value of a mummy, of a Lydian coin, or of any unique property. The very daubs in the portfolio of a clever, commencing artist

would expose him to taxation for them ; and the higher admiration they excited in the commissioners of the taxes, the greater sum would these officers impose. How far the vanity of the artist would, under such circumstances, comfort him, we may leave our readers to speculate.

If the artist have a picture to sell he will at the same time find it depreciated by the operation of the tax. Suppose it was about to bring him £100 but for the tax. The purchaser, with moderate prudence, will consider into what responsibilities he is plunging, and will deduct them from the sum which he is willing to pay for an elegant but needless luxury. If the property tax stood at one per cent. (an unfairly moderate supposition), the purchaser would have to estimate the present value of £1 per year to be paid by him for ever; which, supposing his money to be worth to him as much as four per cent. of compound interest (a full allowance), amounts to exactly £25. Thus we may safely infer that the intending buyer would reduce his offer from £100 to as low as £75. A like depreciation would be encountered by everything which ministers to refinement, to a taste for antiquities, or to any of the higher desires of man; things which are called useless precisely because they are ends, not means. A powerful stimulus would be given to the enjoyment of things which perish in their using, and therefore involve no after taxation; except in so far as this might be counteracted by the shifting of the tax (as we suppose it must be shifted) on the producing classes—on to the "brains and sinews"—until, through their discouragement and the repression of production, their wares become scarce in the market. Not that, even from this, one could infer an ultimate rise of price; for in the price of fancy articles the dominant influence lies in the desire of rich purchasers.

We have met fanatical devotees of a property tax, whom these arguments do not move. "Do justice though Art perish," may seem to be their motto; we therefore step into another subject. No clause in a marriage settlement is commoner than that which gives to a widow a life interest, reserving the ultimate property to her children. When one parent alone survives, the children often have a right in reversion, after the death of the other parent, especially after a mother's death. Every such child possesses property after he or she is of age—property which can be bought and sold; hence it will be taxable according to this theory. A young man aged twenty-two who has a widowed mother aged forty-seven, may be entitled to £160 a year at her death on a sum of £4000; and though this death may not occur for forty years

more, he will be liable to pay tax upon the present value of his reversion for every year of that forty years, whether he have present means or not.* In fact, while many noblemen would have to sell their palaces because the tax on their value overwhelmed them, so the expectant heir might be forced to sell his reversion in order to pay the tax; or by borrowing money to pay it, find the interest to swallow up the greater part of the property before he gets it.

We have met a disputant who did not admit the fundamental injustice of his favourite tax, even when we put the last case to him; but on one point he did give way. He confessed that it would never do to tax a young artist for the unsold drawings in his portfolio, merely because we thought them meritorious, or because superior artists apprized them at a high rate. He drew the distinction, that the articles must have been *actually sold* at least once before they should be taxable. Let us admit this doctrine tentatively and see into what it leads us. Of course we cannot favour the artists in particular; the principle must be adopted universally. Suppose a joiner and cabinet maker to construct chairs, tables, desks, sofas, and other articles, with which he furnishes his shop; he will be free from taxation upon them in their present form, though he will have to pay on the timber *which he bought* to make them. (For by hypothesis it is no longer property *as such* which is taxed, but the property which has been *purchased*. How vast a change has slipped in here!) Thus the joiner who sells his own work can undersell the capitalist who buys from other joiners their ready-made work and seeks to retail it. But we need not pursue the argument, for on every side it is swallowed up in impossibilities. To estimate the value of shop goods from month to month is a most difficult task to the tradesman himself. The estimates formed of the value of house furniture by different appraisers varies so enormously that they are seldom willing to reveal it candidly. To appraise *correctly* a farmer's stock and the unexhausted improvements of his soil is a feat simply impossible; yet all these things must the tax-gatherer determine year by year, if property, as distinct from income, is to be taxed. This impossibility remains, in a country where

* How an actuary would deal with this, we are not able to say. If the widow's expectation of life be twenty years, the present value (at 3½ per cent.) of the reversion of her £4000 is a trifle more than one half. Hence, if the Property Tax were 1 per cent., the young man would have to pay £20 in the first year: and this tax would increase steadily on him every year after, until, at his mother's death, he pays £40 a year for ever.

property is so complicated as with us, even if no property be taxed but that which produces some income. The case is different in a country of agricultural freeholders with whom high farming is unknown. Whether a tax be levied on income, or on property, is *there* of little importance; nor is there much difficulty in judging of the value of so many acres of land and so many head of cattle. But in proportion as art and trade become complicated, we lose all clue to the real value of an estate, except that which is given by the income which it yields.

To escape this practical difficulty by taxing no other property but *lands*, *houses*, and *money put out at interest* would be an extravagant injustice. If two persons have each £1000, and one buys with it shop goods or a share in a steamship, the other invests in Consols or in a mortgage on land, what reason can be given why the former should be exempted from taxation and the latter saddled with it? In short, however the argument be turned about, no other result can be elicited than that it is not property as such that can be fitly taxed, but only *that* property which yields income, and in proportion to its productiveness. In this we have Mr. M'Culloch's full agreement.

A new controversy then arises whether permanent income and transitory income ought to be taxed at the same rate. Mr. Bright and the Liverpool Reformers say No, and our readers are aware that a highly respectable minority in Parliament agree with them. Mr. M'Culloch's position is here peculiar. He entirely admits (page 125) that the existing method, which looks solely to the amount of income, is *grossly unfair;* but he believes that no approach to fairness is practicable, and for this reason (besides his other objections to the tax), desires it to be abolished *in toto*. Of course that cannot be done without an increase of indirect taxation. We observe that in treating of duties on goods (page 185) he maintains that the principle called *ad valorem* is the only fair method; that it is unjust to tax a pound of inferior tea or sugar, or a pipe of inferior wine, as highly as an article of twice or thrice the value. Yet the practical difficulty of such duties leads him (page 219) to justify taxation by mere weight or measure; and he does not there argue that because the tax cannot be fairly laid it ought to be abandoned entirely. It does appear to us that Mr. M'Culloch's animosity to direct taxation is almost as absolute as that of his opponents to indirect taxes. Each side can abundantly display the great evils of *heavy* taxation. But as under Mr. M'Culloch's very moderate scale the evils of "duties" and even of "excise" get beautifully less; so,

we think the evils of the income tax, if it never exceeded fivepence in the pound sterling, *and were not moved up and down*, would be as small as of any other imaginable tax that could produce five millions of money. We accede entirely to the doctrine of Arthur Young, which Sir G. C. Lewis and Mr. M'Culloch (as above said) approve, that very numerous light taxes are far better than a few heavy taxes; but before we infer that the income tax should be *totally* rejected we must be satisfied that its evils, even when it is light, are greater than those of the excise, which we extremely doubt. We may say, in passing, to our Liverpool coadjutors in economy (for as such we desire to esteem them), that we fully estimate the wisdom of avoiding *those* indirect taxes which cost as much collecting as they bring in to the exchequer. It was to sweep these away that Sir Robert Peel introduced his income tax with effects so highly beneficial; but while praising his sagacity, we go along with Mr. M'Culloch in the belief that to repeat his process again and again is to destroy the sources of revenue. To lower a tax may ere long make it more productive than before, but to abolish it is to encounter certain and uncompensated loss, and demands fuller justification. That our readers may know how far Mr. M'Culloch goes, we will now give some detail as to the particular diminution of taxes which he disapproves or approves.

He laments the repeal of the small duty on butter and cheese. He regards Sir Robert Peel's bread tax (one shilling a quarter) as too light. He wishes the duty on soap had been extended to Ireland, and reduced from 1½d. to 1d. a pound, instead of being repealed. Of the old timber duties he emphatically disapproves; but he regrets that at the last change, in 1860, which was excellent in principle, the duty was fixed at 1s. a load, when 3s. would have been paid with equal willingness. The large revenue derived in India from the *export* of opium is adduced by him as illustrating the facility of export duties. He regrets the recent repeal of the duty of 4s. a ton on the export of coal, which indeed involves mercantile and military considerations of grave import. Mr. M'Culloch would have raised the duty to 5s., 6s., or even 7s. a ton, and thinks it would then have produced from a million and a half to two millions sterling a year. We not only repealed it, but bound ourselves by treaty not to alter it for ten years. In passing, we observe that although such commercial treaties as stipulate against *differential* duties are wholly unobjectionable, treaties which cripple us in the choice of means of raising a revenue should be regarded with the utmost jealousy. In this

matter we seem to have become somewhat thoughtless alike in our own case and in that of foreign nations. When the United States Congress, finding the treasury emptied by secession, passed the Morrill tariff to replenish it, we totally passed by, or were unable to take in, their domestic necessity, and treated it as an act of hostility to ourselves; and in the same spirit we have surrendered to France our control over our own taxes. We cannot but count this as an evil *principle*, against which protest is needed; although for the French treaty as a whole we are truly thankful, and ascribe high praise for it alike to Mr. Gladstone and to Mr. Cobden.

Mr. M'Culloch would place export duties not only upon coal, but on pig-iron, bar-iron, and other metallic products, as well as light duties on the import of corn and all other provisions, though he distinctly disapproves of differential duties intended for protection. Moreover, he thinks the penny post to be too cheap, and regrets that the minimum price of a letter is not 2½d. or 3d. In this he appears to us doubly wrong—as to his own argument, and as to that which he omits. He says, page 328:—

> No doubt it [the system of Sir Rowland Hill] has the recommendation of simplicity (if we may apply such a phrase to a uniform charge for services *costing widely different sums)* and cheapness in its favour, and has greatly facilitated correspondence. But it is, notwithstanding, more than questionable whether its adoption was a prudent step, &c., &c.

What is the difference of cost to the Post Office to transmit a letter from one street of London to the next, and to transmit another letter from London to Edinburgh? While railroads were very incomplete, Mr. Rowland Hill (whose estimate is not impugned nor mentioned by Mr. M'Culloch) published his calculation of this very matter as an argument for equalizing the price. If we remember, the difference of cost was then a small fraction of a farthing—a sum incapable of being collected. The main expense to the Post Office is that of gathering the letters, sorting them, and distributing them; the expense of transmission from end to end of England is but a small fraction of this. Hence Mr. M'Culloch's phrase—"costing widely different sums" appears to be an inadvertency. Moreover, his own proposal of 2½d. or 3d. implies that on the whole he sees diversity of payment to be too serious an impediment to insist on. Even this is in our eyes a less grave evil than any rise in the minimum price. The enormous increase in the number of letters written is not due solely to mercantile necessities, but also to the developed action of advertisements and of political and charitable effort. Every one of our readers knows how many printed papers he

daily receives from tradesmen and from public societies, and circulars of every kind. These cost the Post Office no more labor than mercantile letters. On the way, we may add that printed matter ought not to be charged less highly than epistolary correspondence, upon Mr. M'Culloch's principle. If the minimum price of letters were raised to 2d., we think it highly doubtful whether the Post Office would be found to have gained a shilling at the year's end, so great would be the falling off in the number. Moreover, it is not to be forgotten that this form of revenue-getting is exceptional and against received principle, as being a government monopoly. It is already in some quarters condemned; and the topic that the Post Office authorities have always resisted improvement is a formidable one. It is only by great moderation in charge that the odium of the monopoly can be fought against. As to the topic of *imprudence* to which Mr. M'Culloch adverts, the imprudence which strikes us is not that in Mr. Hill's scheme—which as a whole is universally acknowledged to be a signal success—but the expenditure of public money on steamboats by the Post Office authorities is an extravagance, quite gratuitous, we believe, and near forty years old. In the early days of steam communication with Ireland, when the steamboat companies volunteered to carry the king's mail free of charge, the Post Office of that day refused the offer, but built steamers of its own at public expense to compete with the companies. In the same spirit have been all the subsidies of the Atlantic mail. As soon as the "Great Western" had solved the problem, and hoped for some benefit to her shares, the Cunard steamers were started by the Government as her rivals. Then came the West Indian steamers, the Collins steamers, and of late the Galway contract. These are, we think, the "imprudences" by which the public revenue is sacrificed, which would else exhibit a far higher return under the penny postage. Considering the large losses encountered by the inadequate returns of sea postage, we find no ground of discontent with Mr. M'Culloch's figures, which show the clear net revenue of the Post Office to have been £1,346,299 in 1861, against £1,589,487 in 1839, the last year of the high postage.

As regards light duties on corn, butter and cheese, meat, and other provisions *which we produce at home*, Mr. M'Culloch passes by a consideration which must be very familiar to him—that such duties are necessarily differential. The one-shilling duty which Sir Robert Peel left upon the quarter of wheat raises the price of every home-grown quarter of wheat by one shilling:

hence if we import as much as one quarter for every two quarters which we grow, the public pays three shillings where the exchequer receives but one. This is an extravagance exceeding the worst expense of collecting, even in very ill-judged taxation, and forbids us to desire any increase of such duties, unless they can be collected on the home-produced article also. In the matter of excise we see with still more wonder Mr. M'Culloch's very slight appreciation of its evils. When we read (p. 257) his representations of the objections to the paper duty as mere claptrap, we ask ourselves whether he is acquainted with Mr. Charles Knight's statements of the enormous burden which that tax imposed on the *Penny Cyclopædia*, and the impediment which it presented to the attempt to cheapen literature for the benefit of the millions.

Mr. M'Culloch sums the matter up thus:—

> Books are as dear at present as at any former period. The price of some of the more expensive newspapers has been reduced; but the lower priced, or penny journals, continue at that rate, without any visible improvement having been made in the quality of the paper on which they are printed. Their publishers, however, and the publishers of books, and the grocers, and others who use paper in the wrapping up of parcels, have been the great gainers by the abolition of the duty. For while they buy their paper at a less cost, they all, or very nearly all, sell the articles in which they deal at the same prices as formerly. And hence it follows, that the only advantage resulting to the public from the repeal of the paper duties consists in the lower price at which they may buy the paper used in letter-writing. And this is so very inconsiderable, as to be in the great majority of cases next to inappreciable.

The sufficient reply to all this is surely on the surface. We do not enter the question on which the House of Lords differed from the Commons—the fit *time* of remitting the tax. Of course it is a precedent of very evil omen, which we have no intention of justifying, to remit a tax which is no worse than most other taxes, and then increase the income tax to fill up the vacuum. But dropping such transitory controversies we come to the question itself—Has the remission of the tax brought no considerable advantage to the public? Mr. Knight exhibited how the demands of the excise emptied the publisher of funds in proportion as he extended and cheapened his sale. The expense of authorship, of type-setting, and of advertisement is the same for three hundred copies and for ten thousand; but the paper and binding increase (and so did the tax) proportionately to the number of books printed. Thus the tax weighed heavily on large editions. For an author who publishes at his own expense, and desires to cheapen a book for the benefit of many, it is an

unpleasant risk at all events to publish a large edition; and the tax made it worse. Mr. M'Culloch admits that the high-priced newspapers have reduced their price: he forgets to observe how many have increased their size, and immensely increased the ability of their writing. They must certainly spend *far more on authorship*, as well as on special information. The boon to the public from cheap newspapers, and the evident increase of intelligence derived from them by the working-classes, more than fulfil the warmest hopes of those who sanguinely advocated the repeal of stamp duty and of paper tax. We cannot take up the time-table of the Great Western Railway without wondering how such a mass of paper and print can be sold for a penny. Yet behind all this lie arguments of quite another kind. A tax by weight was a cruel unfairness to coarse brown paper. Moreover there was a positive deficiency of materials for paper, owing to the growth of cheap literature, and its price was threatening to rise. The exciseman interfered with the processes and with the adoption of novelty: *this* is the point on which (as with glass and other manufactures) an excise system is peculiarly baneful. How great was the improvement in the beauty of glass, upon the removal of the tax, is notorious. More beautiful paper was not desired, but greater variety of materials. At this moment we write on straw paper. It is of much importance that the manufacturers have now all the materials of the world free to them. Nor can we grudge to the makers of papier-mâché at the one end of the scale, nor to the grocers at the other, any gain which they have by the absence of the tax. Has the reader ever accompanied a lady to a confectioner's, and blushed when his fair companion after investing one penny in a bun, asked for a paper-bag to put it in? If he has, we are sure he will be glad that that bag now costs the confectioner somewhat less. The competition of grocers and confectioners forces them to sell some other things lower if they make any considerable savings in paper or string.

In general no indirect taxes are so disagreeable in themselves as in the despotism with which some of them are enforced. On smuggling, and the only right mode of repressing it, Mr. M'Culloch's doctrine is sound and frank. The Government must not tempt the smuggler by too high a premium. But he does not notice the high-handed violence with which one man is punished for another's smuggling. If a sailor in a ship smuggle tobacco, the ship itself may be seized, and the shipowner forced to pay ruinous fines. To make bad worse, informers are highly rewarded. Hence a rascally sailor may secrete tobacco in a ship,

and smuggle it to shore if he find an opportunity: if he find none, he can lay an information against the ship for the tobacco which he has himself hidden, and obtain a reward for his public spirit. Mr. M'Culloch's doctrine, if honestly acted on, would lay the axe to the root of all such despotic proceedings, by so lowering *every duty* that neither would the smuggler be so daring, nor the Custom-house authorities so suspicious. The need of these despotic powers would vanish with the high duties; and those duties (he explains) are to be esteemed high which bear a high ratio to the cost price; for it is this ratio which gives the impulse to smuggling.

To us the most questionable source of revenue in our present system of taxation is the tax on *intoxicating liquors*, which we cannot consent to look at solely from Mr. M'Culloch's point of view. He distinctly disapproves of any *moral* surveillance over the sale, such as for many centuries past has been regarded as absolutely necessary, and speaks as though the power of magistrates over the licence were an impertinence and essential impropriety. He writes (p. 376):—

> Besides the efforts which have been made to enforce temperance by high duties, the same thing has been attempted indirectly [*qy.* directly?] by the agency of the licensing system, or by preventing the sale of intoxicating liquors in houses not licensed for the purpose by the magistrates. This system, *which has been often denounced*, has given rise to much jobbing and abuse: and *it is not a little surprizing that it should have been tolerated for so long a period.* It is right, no doubt, that measures should be taken to enforce good order in public-houses; but that might be better done without, than with, the aid of the licensing system. Were it enacted that all individuals who pleased might open public-houses, provided they had previously deposited a certain sum (say £50), which should be forfeited, and themselves declared incapable of carrying on the business, in the event of their keeping disorderly houses, the public interests would be much better protected than they are at all likely to be under the existing system. The latter *enables the justices to persecute and oppress individuals* against whom they happen to entertain any prejudice, *however ill founded;* and IS IN EVERY RESPECT MOST OBJECTIONABLE.

It may be a very ill-founded prejudice, but it is a very deeply-seated one, in rich and poor alike, to have intense objection to proximity of a gin-palace to their own dwelling. If the poorest classes were polled by the head, and especially if the women voted likewise, they would by an enormous majority vote the spirit-shops out of existence. Every man of the gentry would decline to occupy a house, however otherwise convenient, if his next door neighbour kept even a beer-house. Let Mr. M'Culloch's scheme be carried out, and the owners of house property will quickly exhibit prejudices to gin-shops as unfounded as those of any

persecuting magistrate. If by accidental want of caution on their part a spirit-seller could establish himself in a street where the gentry live, the rapid fall of rents would soon shew their 'prejudice,' and would eject the intruder at the earliest possible moment. The late Prince Consort and the present Prime Minister with eighty other landed proprietors, of whose names we have a list before us, have taken steps to exterminate public drinking-houses from their estates. The Indians cry out bitterly against us for propagating drunkenness among them by the sale of spirits which we insist on licensing: meanwhile Christian Englishmen imagine that the weak and poor barrier which the licensing system interposes is *too much*, and ought, on every ground, to be swept away! If a magistrate here and there is prejudiced and partial, and forbids a man to keep a shop who is as good as some other man, how minute is the harm of this favouritism! The "interests of the public" do not lie, where Mr. M'Culloch thinks, in the perfect impartiality between seller and seller, much less in allowing as many to sell as are ready to deposit £50; but in securing *that there shall not be one shop more than is imperatively needful.* In other trades it is commendable in a tradesman to push the sale of his goods, to reduce their prices to the utmost, and reimburse himself by persuading and enticing his customers to consume largely. By Mr. M'Culloch's avowal, so widely opposite is the case of the dram-seller, that he is to forfeit £50 if he dare to do such a thing! His house will be called "disorderly." This circumstance has always put a wide chasm between such a trade and most other trades, and makes it impossible to apply to it any of the general principles received in them. We entirely admit that the licensing magistrate is a very inefficient conservator of the public morality; but he is responsible to the Lord Chancellor, who may reprove him, or dismiss him from the bench without ceremony (as one discards a servant on suspicion), if in his conscience he believe that in any of the houses licensed by the magistrate drunkenness and other immorality is winked at. The "Lord Keeper," in old times, was apt to come down thus upon the magistrates rather roughly. We do not expect such a thing *now*, for the obvious reason, that the Chancellor of the Exchequer now makes a revenue of more than twenty* millions annually from the trade in intoxicating liquor. It might seem the height of credulity to expect the publican to be an efficient guard on the

* In 1861 the returns showed nearly *twenty-seven* millions raised on intoxicants, including 5½ millions for tobacco.

sobriety of his customers, when the competition of numerous houses makes it certain that he will be ruined unless he encourage free drinking up to the verge of actual drunkenness; but we almost think it would be still greater credulity to expect the Queen's ministers to put any real check on a trade upon which twenty millions of their revenue depend. A Chancellor of the Exchequer may have very virtuous *intentions*, but he "cannot afford" to have the number of drink-houses lessened, though committees of Lords and Commons emphatically agree that the multiplication of such houses is the cardinal evil.

The more we read on this subject in Mr. M'Culloch, the more he pains us. We did not expect from him anything so strong as the following (p. 405):—

> When a taste for holidays, shows, processions, and the *dolce far niente* is widely diffused, the people are generally deficient in industry; and having little surplus produce to dispose of, can contribute but little to the treasury. But where, on the other hand, they care little for holiday-pastimes, and prefer regaling themselves with beer, spirits, or such-like stimulants, Government may by taxing these, raise a large sum *in the least objectional way*. The Neapolitan lazzaroni contribute nothing, whereas the English gin-drinkers and tobacco-smokers contribute a great deal to the revenue. The laziness of the former unfits them for any useful purpose; but the *vices or the tastes of the latter*, HOWEVER INJURIOUS TO THEMSELVES, *conduce to the public advantage. We cannot change them or root them out;* but we do WHAT IS BETTER (!), we tax them.

Mr. M'Culloch, to justify the marvellous words "*what is better*," proceeds to argue as though there were no third possibility of English workmen other than to be tipplers, or to be as idle as lazzaroni! Elsewhere (p. 364) he affects that the duties on spirits are wise because "the increase of price lessens their consumption by the poor, to whom, when taken in excess, they are most pernicious." One who serves God and Mammon must needs be double-minded: he who gets revenue from vice is not the man "to root it out." This is precisely why we cannot share in Mr. M'Culloch's complacency in this too profitable tax. He elsewhere argues that revenue officers will never abolish smuggling lest they abolish themselves. Will then, any Government be at all more eager than Mr. M'Culloch to explode the vice on which it fattens? We turn his argument quite another way: *because* it is a duty of the executive (avowed for six centuries, and maintained incessantly in theory) to repress drunkenness by punishing those who sell liquor improperly, *therefore* it is dishonourable and pernicious in a government to become a virtual partner with the publicans, and really swell its own revenue from the deadly vice of the people.

To whom does Mr. M'Culloch look to *enforce* the penalty of £50 which he proposes? Is it to the same magistrates whom he denounces as persecuting and prejudiced? or is it to the Excise Office, which has never yet been known to put out a sincere effort to enforce the little which might be enforced against public vice? Truly their business has been to make money as the publican himself makes it. If the tempted wretch on whose life-blood they feed is ruined by it in soul and body, their sufficient comment is: "The more fool he! it is his own look out." We must say that if Mr. M'Culloch's scheme of free trade in spirits, and £50 deposit were brought into Parliament, we should regard the £50 clause as an artifice and a sham, not intended to take effect. In any case a man of straw might be put in to sell, and if he were sentenced, the capitalist behind him could easily find a substitute.

The whole present system, we admit is rotten. During the Russian war, when it was but natural to rip up the weak points of our enemy, our press was very severe on the Emperor Nicolas for deriving a large revenue from the public love of intoxicants: are we quite unable to discern the beam in our own eye? If statesmen cannot see this question aright from the moral point of view, let them look at it from another side. We would recommend our tax-masters to take due account of the tide of events, and prepare for inevitable and extensive change. The workmen who are learning to co-operate have discovered that the only way, and the easy way, of getting capital is to abstain from drink, which at best is needless, and at worst is ruinous to them. If, through the combination of moral and religious zeal with growing intelligence and ambition, a large diminution take place in the consumption of intoxicating liquors, it will enormously increase the tax-paying powers of England, as well as lessen pauperism, insanity, and crime; but it may inconvenience the exchequer if the present system of treating this source of revenue as a trustworthy staple be persevered in.

All these topics are ignored by Mr. M'Culloch. Moreover, in dealing (p. 365) with the events of 1736, when a futile attempt was made to stop gin-drinking by high duties (which he thinks ought to warn us off from such attempts), he shows himself entirely unaware of the contrast of the present times to those. *Then*, gin-drinking being a somewhat new vice, the intelligent and upper part of the nation desired to stop it against the will of the millions: *now* the millions desire to stop it; those bent on sustaining it are the wealthy who have invested money in the

trade—the Benthamite politicians and the economists. Not to see the wide diversity of result to be expected argues a great want of freshness of eye.

Nor can we feel any greater satisfaction with Mr. M'Culloch's impartiality in his allusion to the Beer Law of 1830, in which Lord Brougham and the Whigs concurred for a moment with Sir R. Peel and the Tories. His notice of it stands thus, p. 255:

> The public attention having been at length forcibly attracted to the subject, and *the influence of the exorbitant duties on malt and beer in increasing the consumption of ardent spirits clearly pointed out*, [see *Edinburgh Review*, No. 98, Art. vi.] the beer duty was repealed, as already stated, in 1830. This measure *did honour* to the administration of the Duke of Wellington; which was also entitled to *the credit* of having put an end to the old licensing system, and established, for the first time, something like a free trade in beer.

We ask ourselves with wonder: Can the experienced and well-informed writer be ignorant what the Committee of the Commons, appointed in 1834, pronounced against this act, for which he gives so much more credit to its authors, than they themselves, after four years of experience, could dare to claim or accept? Can he be ignorant of the evidence given before the Committee, that the new beer-shops *increased* the sale of spirits by extending into new circles the appetite for fermented liquors, and paralyzed the magistrates by making their efforts for public temperance appear to be useless and impertinent? On that Committee were the late Sir Robert Peel and Sir Edward Knatchbull. The Report opens by deploring that drunkenness is on the increase among the labouring classes; and declares that foremost among the "immediate causes" is to be reckoned "the increased number and force of the *temptations* placed in their daily path by the *additional* establishment of places at which intoxicating drinks are sold." This was a distinct condemnation of the new beer-shops, equally with the spirit-shops; nor did we ever hear of any person, who, as magistrate, judge, clergyman, jailer, or philanthropist, had a practical knowledge of the operation of the beer-shops, and their relations with crime and pauperism, who has not judged them to be wholly mischievous. The judges of the land have powerfully condemned the whole retail trade. The *licensed victuallers* have used against the beer-shops a severity of language, which nothing but the notoriety of their evils could make possible from a class itself so vulnerable. Undoubtedly the pernicious clause, "To be drunk on the premises" (which was added against Lord Brougham's judgment) has been an enormous aggravation of the mischief. Had the words run, "*Not* to be drunk on the premises," this would certainly have been an improvement.

We briefly add, that Mr. M'Culloch lays down decisively (what we wonder anybody could doubt) that wine, being dearer than gin and than the dearest ale, never will draw off the working-classes from ale or gin. He estimates the recent sacrifice of revenue in the reduction of wine-duties, at £700,000 a year; but we see no reason to regret this; for it has been a condition of our greatly increased commerce with France, to the advantage alike of commerce and of the public revenue. A Chancellor of the Exchequer, like a tradesman, must sometimes be enterprizing enough to lose, in order that he may gain; and we must look on the French treaty as a whole.

Mr. M'Culloch deprecated the lowering of the tea-tax, of which we recently have had an instalment; he also decidedly approves of "conveyance duties," as duties on railway passengers. We think he is rather hard upon the railways in not allowing any weight to the fact that Parliament has imposed on them the law of a penny a mile. He replies, that they accepted the bargain, and must not now complain; but this reasoning does not convince us that "the duty falls, of course, upon the passengers." He argues that "the depressed condition of the railways is not owing to the tax, but to their own *recklessness*, *extravagance*, *and bad faith*." As in many a joint-stock bank, so in the railways, the majority of the shareholders are victims, not guilty; and when impoverished by their directors' mismanagement, they feel severely both the local taxation to which they are subject, and the taxes imposed on them by Parliament. The permanent shareholders whom jobbers have impoverished, seem to us to deserve a far different tone of address to that which pervades Mr. M'Culloch's attack.

But, to leave details, we assent to his general doctrine, that, in so far as it can be done without wasting money in the machinery of taxation, the more numerous the things lightly taxed, so much the better; and the witty sarcasms about the being born, and living, and breathing, and dying in taxation, may (when all taxes are light) be accepted as the panegyric on a Utopian system. Nevertheless, it seems, nothing but experience can decide whether a particular tax will be vexatious. The public accepted the penny stamp on bankers' cheques without a murmur, nor does it involve the slightest inconvenience; yet the penny tax on parcels devised by Mr. Gladstone, proved quite the reverse, and had to be withdrawn. To devise *new* taxes, is always difficult and liable to cause annoyance; hence a total destruction of an old tax is seldom wise, and needs peculiar justification. License

to sell "tea, coffee, tobacco, and snuff," is so old, that it seems to be a thing of course; but we have sometimes speculated whether it might not be well commuted for some very light and *general* shop licence. Are the sellers of these four articles guiltier or more troublesome than other salesmen? Would others grumble more than these do by being made to pay a petty licence which would fall on the customers if made universal? Perhaps they would *at first*. The frequent changes in our taxation are certainly a great evil; nay, often are a cruel injustice. We have it from a paper merchant, that he lost more than a thousand pounds in the fracas, when the House of Lords insisted on retaining for another year the paper tax, which the House of Commons had intended to abolish at once.

But in one tax the ups and downs, which have of late been prevalent, involve an injustice peculiar to itself. We refer to the income tax. Mr. M'Culloch concedes entirely to his Liverpool opponents, that to tax permanent and transitory income at the same rate is decidedly unjust. But it seems to us neither of the combatants distinctly understand what is the cause which *alone* makes it unjust, viz., the alternate maintenance and remission of the tax. The proof of this is as clear as of any mathematical theorem, and we are surprized that clever men cannot be made to understand that they must either refute it or bow to it. They dislike the tax because it is inquisitorial, and because it is really hard for a man, who is constantly buying and selling, to know at a definite moment what is the balance of his gains and losses, of his good debts and his bad debts. As the Government does not allow any such clause as "bad debts and bad markets excepted," the only safe way for a merchant who does not wish to overtax himself, is to give as his guess at the lowest limit of his gains, and afterwards pay "conscience money," if he erred.

Mr. M'Culloch, like other political economists, has a wholesome fear of driving capital abroad; but we do not discern in him any fear of driving our population abroad. As acute diseases are sometimes cured by some natural issue, so are political diseases by some great drain of emigration; nor could we desire to keep millions at home to be miserable if they can be happy in other lands. Nevertheless, it remains a certainty, that to lose population largely and constantly, is to lose at once wealth and strength. It is as true now, as when the old priest said it to Œdipus, that towers and ships avail nothing, when empty of men. The Irish emigration carries away not men only, but capital. Unless recent accounts deceive us, there is less cattle in the land, as well as a

narrower area of cultivation, than before the last million men left the country. Where labor is intelligent, men produce far more than they consume, and a loss of men is then necessarily a loss of capital also. One great problem which English statesmen will shortly be called to solve, is, how to keep our workmen at home. We cannot but feel surprize and jealousy at the tone of an argument which many times recurs in Mr. M'Culloch, that an indirect tax is really a national good when it *makes workmen more industrious* in order to pay it. If we were sluggish savages, living in a climate where nature gives us everything freely, there might be weight in such a consideration. But in fact our toiling millions have not enough of that variety which is itself relief and almost amusement; a variety which mere savages have in abundance. Men who are over-wearied have no nervous energy left for mental cultivation or refinement even if time allowed. All the old holidays are gone; and for twenty years past the conviction has increased that our people are over-worked. The more they know of foreign parts, and the more of their neighbours have emigrated already, so much the more disposed will they be to try their own fortunes abroad. If workmen emigrate too largely, and wages rise *from this cause*, may not the end of it be, that capitalists will emigrate to places where wages are lower? Excessive wages are a drain on capitalists immeasurably worse than any imaginable tax on capital.

Such are some of the thoughts that have occurred to us, in perusing Mr. M'Culloch's elaborate and able work. Where so many and complicated considerations are engaged, upon which the ablest men still differ, it was not to be expected that we could everywhere assent to his views. But we may safely say, that this is a work which will command attention from every statesman, and will claim to be answered, where assent is not yielded. We have not dwelt upon the last part, that which concerns the Funding System. It is chiefly interesting as a history of the past. The iniquitous extravagances which it describes and brands are not likely to be repeated. Mr. M'Culloch's scheme of keeping the revenue, in time of peace, permanently in excess of the expenditure by five or six millions, appears to us just as wasteful as the keeping of a great hoard of gold, which he disapproves. To have a yearly surplus, and with it pay off every year a part of the debt—or what is the same, pay a larger interest to convert the debt into a terminable shape—is evidently a wise policy, and we are disposed to call its neglect disgraceful. But to pay interest on debt, while keeping in hand money which might

lessen our indebtedness, is a policy quite unintelligible. Our recent national prosperity has evidently corrupted public men. The affluence which ought to have lessened our debt has been wasted; the two millions a year which fell in by terminable annuities have been swallowed up; and, vast as are our resources, sagacity, vigilance, and stern principle are needed as much as ever, to meet the difficulties of the future, which give ominous warning from within and from without.

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